



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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and schedules of net pension 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 Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 February 10, 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2016

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Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Mid-East Career and Technology Center's (Center) financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$3,154,661. This represents approximately a seven percent increase from 2014.
- General revenues accounted for \$16,061,430 in revenue or 66 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,253,418 or 34 percent of total revenues of \$24,314,848.
- Total liabilities and deferred inflows of resources of governmental activities decreased by \$3,602,765 due primarily to decreases in long-term liabilities which were offset by increases in property taxes not levied to finance current year operations and pension.
- The Center had \$21,160,187 in expenses related to governmental activities; only \$8,253,418 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 \$16,061,430 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 2014-2015 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, 2015
Unaudited

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

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major funds begins on page 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 Center's Fiduciary Responsibilities

The Center is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The Center 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, 2015
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 2015 compared to 2014.

(Table 1)
Net Position

	Governmental Activities		
	2015	2014	Change
Assets			
Current and Other Assets	\$41,344,062	\$44,696,015	(\$3,351,953)
Capital Assets, Net	50,689,301	48,022,948	2,666,353
Total Assets	<u>92,033,363</u>	<u>92,718,963</u>	<u>(685,600)</u>
Deferred Outflows of Resources			
Pension	1,523,695	1,286,199	237,496
Liabilities			
Current and Other Liabilities	2,011,943	3,984,168	(1,972,225)
Long-Term Liabilities			
Due Within One Year	2,202,210	2,162,038	40,172
Due in More Than One Year:			
Net Pension Liability	21,704,809	25,789,796	(4,084,987)
Other Amounts Due in More Than One Year	9,955,172	12,093,602	(2,138,430)
Total Liabilities	<u>35,874,134</u>	<u>44,029,604</u>	<u>(8,155,470)</u>
Deferred Inflows of Resources			
Property and Payment in Lieu of Taxes	7,268,880	6,640,686	628,194
Pension	3,924,511	0	3,924,511
Total Deferred Inflows of Resources	<u>11,193,391</u>	<u>6,640,686</u>	<u>4,552,705</u>
Net Position			
Net Investment in Capital Assets	39,036,220	32,702,947	6,333,273
Restricted	12,141,042	16,803,264	(4,662,222)
Unrestricted (Deficit)	(4,687,729)	(6,171,339)	1,483,610
Total Net Position	<u>\$46,489,533</u>	<u>\$43,334,872</u>	<u>\$3,154,661</u>

During 2015, the Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. 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
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Under the new standards required by GASB 68, the net pension liability equals 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. As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$67,838,469 to \$43,334,872.

Total assets reflect a decrease in the amount of \$685,600. There are large changes in each of the two classifications of assets which are interrelated. Expenses that resulted in the capitalization of capital assets also resulted in decreases in cash and cash equivalents and investments. Another component of the decrease in Current and Other Assets was due to a decrease in intergovernmental receivables in the amount of \$1,381,748. The decrease in intergovernmental receivables was largely the result of drawdowns on the Classroom Facilities grant which are utilized for the construction of capital assets.

Total liabilities decreased by \$8,155,470. Current and other liabilities decreased by \$1,972,225 due to a decrease in contracts payable due to the classroom facilities project nearing completion. Long-term liabilities, excluding the pension liability, decreased in the amount of \$2,098,258 due to the Center making required debt service payments.

By comparing assets and deferred outflows or resources and liabilities and deferred inflows of resources, one can see the overall position of the Center has improved as evidenced by the increase in net position in the amount of \$3,154,661. The largest change is evident in Net Investment in Capital Assets which is related to the increase in capital assets as discussed above. The large decrease in restricted net position is due to the capitalization of resources and a decrease in cash balances that were restricted for the classroom facilities project. The change in unrestricted net position is largely the result of pension related items.

Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to fiscal year 2014.

Table 2
Change in Net Position

	Governmental Activities		
	2015	2014	Change
Revenues			
Program Revenues:			
Charges for Services	\$2,818,783	\$2,947,659	(\$128,876)
Operating Grants, Contributions, and Interest	4,941,255	4,760,431	180,824
Capital Grants, Contributions, and Interest	493,380	499,424	(6,044)
Total Program Revenues	<u>8,253,418</u>	<u>8,207,514</u>	<u>45,904</u>
General Revenues:			
Property Taxes	9,836,442	10,229,679	(393,237)
Payments in Lieu of Taxes	40,890	40,829	61
Grants and Entitlements	6,009,412	6,009,823	(411)
Investment Earnings and Miscellaneous	174,686	205,184	(30,498)
Total General Revenues	<u>16,061,430</u>	<u>16,485,515</u>	<u>(424,085)</u>
Total Revenues	<u>24,314,848</u>	<u>24,693,029</u>	<u>(378,181)</u>
Program Expenses			
Instruction:			
Regular	1,998,701	2,066,785	(68,084)
Vocational	7,542,723	7,766,658	(223,935)
Adult/Continuing	2,346,710	2,641,512	(294,802)
Support Services:			
Pupils	1,093,628	1,090,652	2,976
Instructional Staff	1,106,737	1,005,060	101,677
Board of Education	93,558	90,435	3,123
Administration	1,465,536	1,770,619	(305,083)
Fiscal	781,314	847,107	(65,793)
Business	292,353	239,796	52,557
Operation and Maintenance of Plant	3,077,851	2,386,949	690,902
Pupil Transportation	110,905	135,812	(24,907)
Central	190,782	303,844	(113,062)
Operation of Non-Instructional Services	554,449	533,261	21,188
Extracurricular Activities	97,923	103,802	(5,879)
Interest	407,017	427,261	(20,244)
Total Expenses	<u>21,160,187</u>	<u>21,409,553</u>	<u>(249,366)</u>
Change in Net Position	<u>3,154,661</u>	<u>3,283,476</u>	<u>(128,815)</u>
Net Position Beginning of Year	<u>43,334,872</u>	N/A	
Net Position End of Year	<u>\$46,489,533</u>	<u>\$43,334,872</u>	<u>\$3,154,661</u>

**Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,286,199 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$921,239. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$21,160,187
Pension expense under GASB 68	(921,239)
2015 contractually required contribution	1,319,211
Adjusted 2015 program expenses	21,558,159
Total 2014 program expenses under GASB 27	21,409,553
Increase in program expenses not related to pension	\$148,606

The Center's net position increased \$3,154,661. The largest revenue fluctuation in Table 2 is evident in the property taxes revenue source, a decrease in the amount of \$393,237 due to the timing of tax bills. For the second half of 2015, property tax bills were sent out and mostly collected by fiscal-year end, which reduced the amount available as an advance.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 40 percent of revenues for governmental activities in fiscal year 2015. The remaining 60 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid and tuition received from the adult program.

Instructional programs comprise 56 percent of total governmental program expenses. Of the instructional expenses, approximately 63 percent is for vocational instruction, 20 percent is for adult/continuing instruction, and 17 percent is for regular instruction. The largest fluctuation in expenses is reflected in operation and maintenance of plant expenses which increased by \$690,902. This fluctuation represents approximately a 29 percent change from the prior year due to the non-capitalization of loose furnishings 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, 2015
Unaudited**

Table 3 - Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instructional Services:				
Regular	\$1,998,701	\$1,998,701	\$2,066,785	\$2,065,364
Vocational	7,542,723	3,664,135	7,766,658	4,320,451
Adult/Continuing	2,346,710	(54,181)	2,641,512	(152,812)
Support Services:				
Pupils	1,093,628	968,596	1,090,652	907,278
Instructional Staff	1,106,737	423,455	1,005,060	442,208
Board of Education	93,558	93,558	90,435	90,435
Administration	1,465,536	1,365,355	1,770,619	1,489,717
Fiscal	781,314	211,093	847,107	335,498
Business	292,353	292,353	239,796	239,796
Operation and Maintenance of Plant	3,077,851	3,076,735	2,386,949	2,386,949
Pupil Transportation	110,905	110,905	135,812	135,812
Central	190,782	190,782	303,844	296,703
Operation of Non-Instructional Services	554,449	60,342	533,261	113,577
Extracurricular Activities	97,923	97,923	103,802	103,802
Interest	407,017	407,017	427,261	427,261
Total Expenses	<u>\$21,160,187</u>	<u>\$12,906,769</u>	<u>\$21,409,553</u>	<u>\$13,202,039</u>

The dependence upon tax revenues and State subsidies is apparent. Approximately 61 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 \$25,576,544 and expenditures in the amount of \$26,316,364.

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 \$798,443. This change indicates the amount by which the Center's revenues exceeded expenses for fiscal year 2015. This has been the case for the past few years and reflects the Center's commitment to maintaining a healthy cumulative balance in its chief operating fund. 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 \$1,112,660. This decrease was the result of the Center spending local permanent improvement dollars for items not covered by the Ohio School Facilities Program.

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.

**Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited**

During the course of fiscal year 2015, the Center did amend its General Fund budget from the original levels. Changes to the final budgeted amounts for revenues were not significant. Changes to the final budgeted amounts for vocational instruction were due to anticipated increases in payroll and benefit obligations for the Center's main instructional program. For the General Fund, budgeted revenues exceeded actual results by a mere \$70,973. In addition, budgeted expenditures exceeded actual results in the amount of \$1,163,430 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 \$14,972,055, which was \$1,113,707 above the final budgeted amount of \$13,858,348.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Center had \$50,689,301 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets at June 30

	Governmental Activities	
	2015	2014
Land	\$333,075	\$333,075
Buildings and Improvements	48,715,677	46,566,690
Vehicles	335,791	330,019
Machinery, Equipment, Furniture and Fixtures	1,304,758	793,164
Totals	\$50,689,301	\$48,022,948

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

Debt

At June 30, 2015, the Center had \$52,883 outstanding for capital leases and \$11,411,836 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
For the Fiscal Year Ended June 30, 2015
Unaudited

Economic Factors

During fiscal year 2015, on a modified accrual basis, General Fund revenues exceeded General Fund expenditures by \$1,262,993, but there were other financing sources and uses that reduced this amount to \$798,443. 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.

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Mid-East Career and Technology Centers, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$26,141,340
Cash and Cash Equivalents in Segregated Accounts	1,412,832
Cash and Cash Equivalents with Escrow Agents	282,498
Accounts Receivable	88,726
Inventory Held for Resale	9,223
Materials and Supplies Inventory	61,469
Prepaid Items	111,131
Accrued Interest Receivable	25,799
Property Taxes Receivable	11,934,178
Payment in Lieu of Taxes Receivable	37,032
Intergovernmental Receivable	1,239,834
Nondepreciable Capital Assets	333,075
Depreciable Capital Assets, Net	50,356,226
Total Assets	92,033,363
 Deferred Outflows of Resources	
Pension	1,523,695
 Liabilities	
Matured Compensated Absences Payable	49,116
Accounts Payable	31,270
Contracts Payable	202,845
Retainage Payable	282,353
Accrued Wages and Benefits Payable	1,085,645
Intergovernmental Payable	193,923
Accrued Interest Payable	36,851
Vacation Benefits Payable	129,940
Long-Term Liabilities:	
Due Within One Year	2,202,210
Due In More Than One Year:	
Net Pension Liability (See Note 14)	21,704,809
Other Amounts Due In More Than One Year	9,955,172
Total Liabilities	35,874,134
 Deferred Inflows of Resources	
Property Taxes	7,268,880
Pension	3,924,511
Total Deferred Inflows of Resources	11,193,391
 Net Position	
Net Investment in Capital Assets	39,036,220
Restricted for:	
Capital Projects	8,229,042
Set Asides	45,566
Adult Education	1,230,598
Classroom Facilities Maintenance	2,520,106
State Grant Programs	25,317
Unclaimed Monies	11,334
Federal Grant Programs	79,079
Unrestricted (Deficit)	(4,687,729)
Total Net Position	\$46,489,533

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, 2015

	Expenses	Program Revenues		Capital Grants, Contributions, and Interest	Net (Expense) Revenue and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions, and Interest		
Governmental Activities					
Instruction:					
Regular	\$1,998,701	\$0	\$0	\$0	(\$1,998,701)
Vocational	7,542,723	406,655	3,471,933	0	(3,664,135)
Adult/Continuing	2,346,710	1,793,025	607,866	0	54,181
Support Services:					
Pupils	1,093,628	0	125,032	0	(968,596)
Instructional Staff	1,106,737	378,432	304,850	0	(423,455)
Board of Education	93,558	0	0	0	(93,558)
Administration	1,465,536	0	100,181	0	(1,365,355)
Fiscal	781,314	63,368	13,473	493,380	(211,093)
Business	292,353	0	0	0	(292,353)
Operation and Maintenance of Plant	3,077,851	1,116	0	0	(3,076,735)
Pupil Transportation	110,905	0	0	0	(110,905)
Central	190,782	0	0	0	(190,782)
Operation of Non-Instructional Services:					
Food Service Operations	553,377	176,187	317,543	0	(59,647)
Other Non-Instructional Services	1,072	0	377	0	(695)
Extracurricular Activities	97,923	0	0	0	(97,923)
Interest	407,017	0	0	0	(407,017)
Total Governmental Activities	<u>\$21,160,187</u>	<u>\$2,818,783</u>	<u>\$4,941,255</u>	<u>\$493,380</u>	<u>(12,906,769)</u>
General Revenues					
Property Taxes Levied for General Purposes					6,056,119
Property Taxes Levied for Building Maintenance					333,443
Property Taxes Levied for Debt Service					2,274,706
Property Taxes Levied for Capital Outlay					1,172,174
Payments in Lieu of Taxes					40,890
Grants and Entitlements not Restricted to Specific Programs					6,009,412
Investment Earnings					121,381
Miscellaneous					53,305
Total General Revenues					<u>16,061,430</u>
Change in Net Position					3,154,661
Net Position Beginning of Year - Restated (See Note 3)					<u>43,334,872</u>
Net Position End of Year					<u><u>\$46,489,533</u></u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio

Balance Sheet
Governmental Funds
June 30, 2015

	General	Adult Education	Bond Retirement	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$14,960,072	\$1,261,210	\$0	\$3,778,237	\$6,084,921	\$26,084,440
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	1,412,832	1,412,832
Cash and Cash Equivalents with Escrow Agents	0	0	0	0	282,498	282,498
Inventory Held for Resale	0	0	0	0	9,223	9,223
Materials and Supplies Inventory	53,397	0	0	0	8,072	61,469
Accounts Receivable	47,249	41,428	0	0	49	88,726
Intergovernmental Receivable	30,773	2,785	0	0	1,206,276	1,239,834
Accrued Interest Receivable	17,497	1,218	0	3,639	3,445	25,799
Interfund Receivable	67,584	0	0	0	0	67,584
Prepaid Items	85,049	20,888	0	0	5,194	111,131
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	56,900	0	0	0	0	56,900
Payment In Lieu of Taxes Receivable	24,408	0	0	12,624	0	37,032
Property Taxes Receivable	7,349,880	0	2,508,581	1,742,274	333,443	11,934,178
Total Assets	\$22,692,809	\$1,327,529	\$2,508,581	\$5,536,774	\$9,345,953	\$41,411,646
Liabilities						
Accounts Payable	\$8,730	\$9,182	\$0	\$0	\$13,358	\$31,270
Contracts Payable	0	0	0	0	202,845	202,845
Accrued Wages and Benefits Payable	939,446	41,608	0	0	104,591	1,085,645
Matured Compensated Absences Payable	27,293	9,257	0	0	12,566	49,116
Intergovernmental Payable	155,800	8,946	0	1,603	27,574	193,923
Interfund Payable	0	0	0	0	67,584	67,584
Retainage Payable	0	0	0	0	282,353	282,353
Total Liabilities	1,131,269	68,993	0	1,603	710,871	1,912,736
Deferred Inflows of Resources						
Property Taxes	4,448,484	0	2,474,329	12,624	333,443	7,268,880
Unavailable Revenue	1,071,060	42,411	34,252	623,883	1,058,643	2,830,249
Total Deferred Inflows of Resources	5,519,544	42,411	2,508,581	636,507	1,392,086	10,099,129
Fund Balances						
Nonspendable:						
Inventories	53,397	0	0	0	8,072	61,469
Prepaid Items	85,049	20,888	0	0	5,194	111,131
Unclaimed Monies	11,334	0	0	0	0	11,334
Restricted for:						
Budget Stabilization	45,566	0	0	0	0	45,566
Adult Education	0	1,195,237	0	0	0	1,195,237
Classroom Facilities Maintenance	0	0	0	0	2,519,525	2,519,525
State Grant Expenditures	0	0	0	0	15,002	15,002
Federal Grant Expenditures	0	0	0	0	8,343	8,343
Capital Improvements	0	0	0	4,898,664	1,348,029	6,246,693
Committed to:						
Encumbrances	25	0	0	0	0	25
Capital Improvements	0	0	0	0	3,327,163	3,327,163
Budget Stabilization	128,102	0	0	0	0	128,102
Severance Payments	500,667	0	0	0	0	500,667
Other Purposes	0	0	0	0	75,584	75,584
Assigned to:						
Purchases on Order	101,250	0	0	0	0	101,250
Other Purposes	24,500	0	0	0	0	24,500
Unassigned (Deficit)	15,092,106	0	0	0	(63,916)	15,028,190
Total Fund Balances	16,041,996	1,216,125	0	4,898,664	7,242,996	29,399,781
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$22,692,809	\$1,327,529	\$2,508,581	\$5,536,774	\$9,345,953	\$41,411,646

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, 2015

Total Governmental Fund Balances		\$29,399,781
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.		50,689,301
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	1,665,980	
Interest	20,827	
Accounts	63,830	
Grants	<u>1,079,612</u>	2,830,249
Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(129,940)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(36,851)
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	1,523,695	
Deferred Inflows - Pension	(3,924,511)	
Net Pension Liability	<u>(21,704,809)</u>	(24,105,625)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(52,883)	
Certificates of Participation	(11,411,836)	
Compensated Absences	<u>(692,663)</u>	<u>(12,157,382)</u>
Net Position of Governmental Activities		<u><u>\$46,489,533</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, 2015

	General	Adult Education	Bond Retirement	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$6,026,723	\$0	\$2,521,012	\$902,735	\$333,443	\$9,783,913
Payment in Lieu of Taxes	39,668	0	0	1,222	0	40,890
Intergovernmental	8,201,635	467,822	0	472,220	3,576,221	12,717,898
Interest	95,196	6,878	0	20,255	20,184	142,513
Tuition and Fees	245,402	2,193,397	0	0	0	2,438,799
Rent	1,116	0	0	0	0	1,116
Gifts and Donations	57,873	0	0	0	0	57,873
Charges for Services	164,050	0	0	0	176,187	340,237
Miscellaneous	53,305	0	0	0	0	53,305
Total Revenues	14,884,968	2,668,097	2,521,012	1,396,432	4,106,035	25,576,544
Expenditures						
Current:						
Instruction:						
Regular	2,034,126	0	0	0	0	2,034,126
Vocational	6,410,500	0	0	0	1,122,229	7,532,729
Adult/Continuing	119	2,081,853	0	0	217,466	2,299,438
Support Services:						
Pupils	973,009	0	0	0	127,253	1,100,262
Instructional Staff	422,716	435,333	0	0	223,139	1,081,188
Board of Education	92,506	0	0	0	0	92,506
Administration	1,317,875	0	0	0	98,892	1,416,767
Fiscal	595,710	79,469	0	98,382	0	773,561
Business	235,607	0	0	0	6,200	241,807
Operation and Maintenance of Plant	1,142,994	0	0	1,546,724	136,267	2,825,985
Pupil Transportation	62,086	0	0	0	0	62,086
Central	163,445	0	0	0	0	163,445
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	521,533	521,533
Other Non-Instructional Services	736	0	0	0	336	1,072
Extracurricular Activities	97,923	0	0	0	0	97,923
Capital Outlay	54,200	0	0	197,100	3,281,201	3,532,501
Debt Service:						
Principal Retirement	14,884	0	2,040,000	0	0	2,054,884
Interest and Fiscal Charges	3,539	0	481,012	0	0	484,551
Total Expenditures	13,621,975	2,596,655	2,521,012	1,842,206	5,734,516	26,316,364
Excess of Revenues Over (Under) Expenditures	1,262,993	71,442	0	(445,774)	(1,628,481)	(739,820)
Other Financing Sources (Use)						
Transfers In	0	0	0	0	1,191,886	1,191,886
Proceeds from Sale of Capital Assets	6,250	0	0	0	0	6,250
Inception of Capital Lease	54,200	0	0	0	0	54,200
Transfers Out	(525,000)	0	0	(666,886)	0	(1,191,886)
Total Other Financing Sources (Use)	(464,550)	0	0	(666,886)	1,191,886	60,450
Net Change in Fund Balances	798,443	71,442	0	(1,112,660)	(436,595)	(679,370)
Fund Balances Beginning of Year	15,243,553	1,144,683	0	6,011,324	7,679,591	30,079,151
Fund Balances End 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>

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, 2015

Net Change in Fund Balances - Total Governmental Funds (\$679,370)

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 capital outlay exceeded depreciation in the current period:

Capital Asset Additions	3,907,162	
Current Year Depreciation	<u>(1,233,675)</u>	2,673,487

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	(6,250)	
Loss on Disposal of Assets	<u>(884)</u>	(7,134)

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	52,529	
Interest	7,869	
Tuition and Fees	38,631	
Grants	(1,379,041)	
Instructional Staff	<u>(47,860)</u>	(1,327,872)

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. (54,200)

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	14,884	
Tax Anticipation Notes	1,880,000	
Certificates of Participation	<u>160,000</u>	2,054,884

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	3,795	
Amortization of Premiums	<u>73,739</u>	77,534

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,319,211

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (921,239)

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	23,835	
Vacation Benefits	<u>(4,475)</u>	<u>19,360</u>

Change in Net Position of Governmental Activities \$3,154,661

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, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$6,248,399	\$6,248,399	\$6,269,839	\$21,440
Payment in Lieu of Taxes	30,000	30,000	39,668	9,668
Intergovernmental	8,534,549	8,534,549	8,197,261	(337,288)
Interest	85,000	85,000	110,379	25,379
Tuition and Fees	144,255	159,255	238,265	79,010
Rentals	0	0	210	210
Gifts and Donations	0	0	57,873	57,873
Charges for Services	75,796	115,796	164,050	48,254
Miscellaneous	29,700	29,700	54,181	24,481
Total Revenues	15,147,699	15,202,699	15,131,726	(70,973)
Expenditures				
Current:				
Instruction:				
Regular	2,050,360	2,042,048	2,046,201	(4,153)
Vocational	6,519,270	7,151,541	6,467,971	683,570
Adult/Continuing	15,195	9,195	8,178	1,017
Support Services:				
Pupils	917,719	934,219	979,303	(45,084)
Instructional Staff	553,437	500,478	453,369	47,109
Board of Education	109,302	109,302	83,813	25,489
Administration	1,380,198	1,378,098	1,385,676	(7,578)
Fiscal	672,865	672,865	620,396	52,469
Business	263,315	263,315	247,506	15,809
Operation and Maintenance of Plant	1,437,278	1,437,278	1,218,691	218,587
Pupil Transportation	125,874	125,874	76,114	49,760
Central	251,607	251,607	157,317	94,290
Operation of Non-Instructional/Shared Services	1,736	1,736	736	1,000
Extracurricular Activities	125,886	125,886	94,741	31,145
Debt Service:				
Principal Retirement	14,884	14,884	14,884	0
Interest and Fiscal Charges	3,539	3,539	3,539	0
Total Expenditures	14,442,465	15,021,865	13,858,435	1,163,430
Excess of Revenues Over Expenditures	705,234	180,834	1,273,291	1,092,457
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	15,000	15,000	6,250	(8,750)
Transfers In	40,000	40,000	0	(40,000)
Transfers Out	(595,000)	(595,000)	(525,000)	70,000
Total Other Financing Sources (Use)	(540,000)	(540,000)	(518,750)	21,250
Net Change in Fund Balance	165,234	(359,166)	754,541	1,113,707
Fund Balance Beginning of Year	13,982,348	13,982,348	13,982,348	0
Prior Year Encumbrances Appropriated	235,166	235,166	235,166	0
Fund Balance End of Year	\$14,382,748	\$13,858,348	\$14,972,055	\$1,113,707

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, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$409,145	\$409,145	\$467,822	\$58,677
Interest	0	0	7,928	7,928
Tuition and Fees	3,137,125	2,591,685	2,192,812	(398,873)
Total Revenues	3,546,270	3,000,830	2,668,562	(332,268)
Expenditures				
Current:				
Instruction:				
Adult/Continuing	3,152,680	2,865,209	2,135,053	730,156
Support Services:				
Instructional Staff	560,509	560,509	444,382	116,127
Fiscal	105,840	105,840	75,493	30,347
Total Expenditures	3,819,029	3,531,558	2,654,928	876,630
Net Change in Fund Balance	(272,759)	(530,728)	13,634	544,362
Fund Balance Beginning of Year	1,151,187	1,151,187	1,151,187	0
Prior Year Encumbrances Appropriated	51,359	51,359	51,359	0
Fund Balance End of Year	\$929,787	\$671,818	\$1,216,180	\$544,362

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$94,562	\$33,519
Cash and Cash Equivalents in Segregated Accounts	5,025	0
Investments in Segregated Accounts	805,556	0
Total Assets	905,143	\$33,519
Liabilities		
Due to Students	0	\$33,519
Total Liabilities	0	\$33,519
Net Position		
Endowments	35,000	
Held in Trust for Students	870,143	
Total Net Position	\$905,143	

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, 2015

	Private Purpose Trust
Additions	
Interest	\$5,721
Increase in Fair Value of Investments	48,766
Total Additions	54,487
Deductions	
Payments for Scholarships	8,834
Change in Net Position	45,653
Net Position Beginning of Year	859,490
Net Position End of Year	\$905,143

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, 2015

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-two classified employees and one hundred and thirty-seven certified teaching personnel who provide services to one thousand and seventy-five 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 ensure that the financial statements of the Center are not misleading. The Center consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For Mid-East Career and Technology Centers, this includes general operations, food service, and student related activities of the Center.

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

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015

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

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

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, 2015

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, 2015, but which were levied to finance fiscal year 2016 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 2015, the Center's investments were limited to federal agency securities, stocks, repurchase agreements, negotiable certificates of deposit, money markets, and STAR Ohio. Repurchase agreements, and money markets are reported at cost. Investments in federal agency securities, negotiable certificates of deposit, and stocks are stated at fair value based on quoted market prices. STAR 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. Non-participating investment contracts are reported at cost or amortized cost. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

Mid-East Career and Technology Centers, Ohio
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For the Fiscal Year Ended June 30, 2015

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 2015 amounted to \$95,196, which includes \$45,697 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, 2015, 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 fair market 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:

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

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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:

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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 Principle and Restatement of Net Position

For fiscal year 2015, the Center implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Net Position June 30, 2014	\$67,838,469
Adjustments:	
Net Pension Liability	(25,789,796)
Deferred Outflow - Payments Subsequent to Measurement Date	1,286,199
Restated Net Position June 30, 2014	<u><u>\$43,334,872</u></u>

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Note 4 - Accountability

At June 30, 2015, the Vocational Education Federal Grant and Food Service Special Revenue Funds had deficit fund balances in the amounts of \$43,281 and \$10,624, respectively. These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash and changes in fair market value represent amounts received or adjusted to revenue but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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:

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	\$798,443	\$71,442
Net Adjustment for Revenue Accruals	78,076	(342)
Unrecorded Cash - Prior Year	9,917	687
Unrecorded Cash - Current Year	(1,509)	(105)
Change in Market Value of Investments - Prior Year	6,487	450
Change in Market Value of Investments - Current Year	(3,232)	(225)
Prepaid Items - Prior Year	85,396	19,844
Prepaid Items - Current Year	(85,049)	(20,888)
Net Adjustment for Expenditure Accruals	(61,463)	(12,529)
Advances In	102,819	0
Advances Out	(67,584)	0
Encumbrances	(107,760)	(44,700)
Budget Basis	\$754,541	\$13,634

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 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.

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;

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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, \$692,411 of the Center's bank balance of \$17,802,639 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.

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, 2015, the Center had the following investments:

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	<u>Fair Value</u>	<u>Maturity</u>	<u>S&P/ Moody's Rating</u>	<u>Percent of Total Investments</u>
Federal Home Loan Mortgage Corporation	\$405,235	05/26/2017-11/27/2017	AA+/Aaa	3.72%
Federal National Mortgage Association	928,839	03/30/2016-05/27/2020	AA+/Aaa	8.52%
Federal Home Loan Bank	5,919,805	7/30/2015-03/29/2018	AA+/Aaa	54.24%
United States Treasury Notes	120,319	10/15/2016	AA+/Aaa	1.10%
First American Treasury Obligations	4,795	N/A	N/A	0.04%
Federal Farm Credit	90,001	7/9/2015	AA+/Aaa	0.82%
Negotiable Certificates of Deposit	2,639,194	06/29/2017-05/13/2019	N/A	24.18%
Massachusetts Investors Trust - Domestic Conservative Stock	805,556	N/A	N/A	7.38%
STAR Ohio	<u>138,419</u>	Average 53.4 days	AAAm	N/A
Total	<u><u>\$11,052,163</u></u>			

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.

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.

Mid-East Career and Technology Centers, Ohio
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Property taxes include amounts levied against all real and public utility property located in the Center. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2015 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, 2015, are available to finance fiscal year 2015 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, 2015 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, 2015, was \$1,915,021 in the General Fund and \$1,121,329 in the Permanent Improvement Levy Capital Projects Fund. The amount available as an advance at June 30, 2014, was \$2,155,227 in the General Fund and \$1,270,573 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.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$2,567,954,890	84.84%	\$2,662,789,502	84.25%
Public Utility Personal	458,772,010	15.16%	497,887,030	15.75%
Total	<u>\$3,026,726,900</u>	<u>100.00%</u>	<u>\$3,160,676,532</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.60		\$4.60	

Mid-East Career and Technology Centers, Ohio
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Note 8 - Receivables

Receivables at June 30, 2015, 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 \$1,665,980 may not be collected within one year. The portion of the State Classroom Facilities grant totaling \$943,268 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 received 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 2015, the Center had received \$25,003,058 of the monies awarded under this program. The remaining amount of \$943,268 is recorded as a receivable and unavailable revenue on the Balance Sheet.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
ABLE Grant	\$67,945
Carl D. Perkins Secondary Grant	68,034
Carl D. Perkins Adult Grant	22,455
TIF Grants	82,702
Straight A Grant	14,552
High Schools That Work Grant	1,322
Ohio School Facilities Grant	943,268
Food Service Reimbursements	5,998
Foundation Adjustments	23,750
Miscellaneous Intergovernmental Receivables	9,808
Total	\$1,239,834

Note 9 - Interfund Balances

At June 30, 2015, the General Fund reflected an interfund receivable in the amount of \$67,584 which was from the Vocational Education Federal Grant and the Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$29,221 and \$38,363, 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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Nondepreciable Capital Assets				
Land	\$333,075	\$0	\$0	\$333,075
Depreciable Capital Assets				
Buildings and Improvements	52,707,097	3,177,743	0	55,884,840
Vehicles	774,575	57,514	(25,390)	806,699
Machinery, Equipment, Furniture and Fixtures	2,262,373	671,905	(55,260)	2,879,018
Total Capital Assets Being Depreciated	<u>55,744,045</u>	<u>3,907,162</u>	<u>(80,650)</u>	<u>59,570,557</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,140,407)	(1,028,756)	0	(7,169,163)
Vehicles	(444,556)	(51,742)	25,390	(470,908)
Machinery, Equipment, Furniture and Fixtures	(1,469,209)	(153,177)	48,126	(1,574,260)
Total Accumulated Depreciation	<u>(8,054,172)</u>	<u>(1,233,675) *</u>	<u>73,516</u>	<u>(9,214,331)</u>
Total Capital Assets Being Depreciated, Net	<u>47,689,873</u>	<u>2,673,487</u>	<u>(7,134)</u>	<u>50,356,226</u>
Governmental Activities Capital Assets, Net	<u>\$48,022,948</u>	<u>\$2,673,487</u>	<u>(\$7,134)</u>	<u>\$50,689,301</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$82,418
Vocational	471,627
Adult/Continuing	69,958
Support Services:	
Pupils	20,479
Instructional Staff	25,599
Board of Education	5,120
Administration	50,929
Fiscal	12,677
Business	56,319
Operation and Maintenance of Plant	311,773
Pupil Transportation	49,220
Central	30,276
Non-Instructional Services - Food Service Operations	47,280
Total Governmental Depreciation	<u>\$1,233,675</u>

Mid-East Career and Technology Centers, Ohio
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Note 11 - Interfund Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Transfer From	Transfer To Other Governmental Funds
Major Funds:	
General Fund	\$525,000
Permanent Improvement Levy Capital Projects Fund	666,886
Total	\$1,191,886

The Center transferred \$500,000 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 \$25,000 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. The Center transferred \$666,886 from the Permanent Improvement Levy Capital Projects Fund to the Classroom Facilities Maintenance Special Revenue Fund to meet the requirements for this fund in accordance with the Ohio School Facilities Program.

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 2015, the Center contracted with Utica National Insurance Group, through The Young Insurance Agency. The Center also contracted with Ohio Casualty Insurance Company through The Young Insurance Agency for Builders' Risk insurance. Coverage is as follows:

Building and Contents-replacement cost	\$54,521,331	\$5,000 deductible
Inland Marine		
Data Processing	150,000	\$500 deductible
Builders' Risk	1,050,000	\$1,000 deductible
Miscellaneous Property	804,065	\$5,000 deductible
Records and Property	10,000-500,000	\$500 deductible
General Liability		
Per Occurrence	1,000,000	\$1,000 deductible
Aggregate Per Year	3,000,000	\$1,000 deductible
Fleet Insurance		
Per Occurrence	1,000,000	
Medical Expense	5,000	
Garagekeepers Comprehensive	Actual Cash Value	\$1,000 deductible
Garagekeepers Collision	Actual Cash Value	\$1,000 deductible
Commercial Crime		
Employee Theft Per Employee	100,000	\$500 deductible
Forgery or Alteration Per Occurrence	100,000	\$500 deductible
Theft Inside or Outside Premises Per Occurrent	25,000	\$500 deductible

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

B. Workers' Compensation

For fiscal year 2015, 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.

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 \$1,816.73 for family coverage and \$725.86 for single coverage. The employees are responsible to pay \$272.51 for family coverage and \$108.88 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.

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 under Employers/Audit Resources.

Mid-East Career and Technology Centers, Ohio
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Age and service requirements for retirement are as follows:

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

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

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

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was \$300,796 for fiscal year 2015. Of this amount \$14,052 is reported as an intergovernmental payable.

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.

Mid-East Career and Technology Centers, Ohio
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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, member contributions are allocated among investment choices by the member, and employer contributions 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.

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

Mid-East Career and Technology Centers, Ohio
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The Center's contractually required contribution to STRS was \$1,018,415 for fiscal year 2015. Of this amount, \$117,680 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, 2014, 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>
Proportionate Share of the Net Pension Liability	\$4,006,901	\$17,697,908	\$21,704,809
Proportion of the Net Pension Liability	0.079173%	0.07276065%	
Pension Expense	\$239,680	\$681,559	\$921,239

At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$34,103	\$170,381	\$204,484
School District contributions subsequent to the measurement date	<u>300,796</u>	<u>1,018,415</u>	<u>1,319,211</u>
Total Deferred Outflows of Resources	<u>\$334,899</u>	<u>\$1,188,796</u>	<u>\$1,523,695</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$650,331</u>	<u>\$3,274,180</u>	<u>\$3,924,511</u>

\$1,319,211 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$153,971)	(\$775,951)	(\$929,922)
2017	(153,971)	(775,951)	(929,922)
2018	(153,971)	(775,951)	(929,922)
2019	<u>(154,315)</u>	<u>(775,946)</u>	<u>(930,261)</u>
Total	<u>(\$616,228)</u>	<u>(\$3,103,799)</u>	<u>(\$3,720,027)</u>

Mid-East Career and Technology Centers, Ohio
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Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
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.

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	\$5,716,656	\$4,006,901	\$2,568,848

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
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.

Mid-East Career and Technology Centers, Ohio
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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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates 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 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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:

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$25,336,485	\$17,697,908	\$11,238,243

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, 2015 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 under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 2015, 0.82 percent 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 2015, this amount was \$20,450. 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 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Center's surcharge obligation was \$22,095.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$41,781, \$39,151, and \$51,402, respectively. For fiscal year 2015, 45.02 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description - The Center participates in the cost sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit 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 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 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$0, \$75,911, and \$77,031, respectively. The full amount been contributed for fiscal years 2015, 2014, and 2013.

Note 16 - Capital Leases

In fiscal year 2010, the Center entered into a capitalized lease for two copying machines/printers in the amount of \$43,150. 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. 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 2015 totaled \$14,884. The equipment was originally capitalized in the amount of \$110,493, the present value of the minimum lease payments at the inception of the leases. The accumulated depreciation as of June 30, 2015 was \$29,833, and the book value was \$80,660.

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, 2015:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$12,688	\$3,465	\$16,153
2017	13,698	2,458	16,156
2018	12,191	1,453	13,644
2019	12,190	616	12,806
2020	2,116	19	2,135
Present Value of Net Minimum Lease Payments	<u>\$52,883</u>	<u>\$8,011</u>	<u>\$60,894</u>

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Long-Term Obligations

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

	Principal Outstanding 06/30/14	Additions	Reductions	Principal Outstanding 06/30/15	Amounts Due within One Year
Governmental Activities:					
Capital Leases Payable	\$13,567	\$54,200	(\$14,884)	\$52,883	\$12,688
Tax Anticipation Notes -					
\$8,885,000, Various Interest Rate	1,880,000	0	(1,880,000)	0	0
Premium on Tax Anticipation Notes	23,331	0	(23,331)	0	0
Total Tax Anticipation Notes Liability	1,903,331	0	(1,903,331)	0	0
Certificates of Participation -					
\$11,965,000, Various Interest Rate	11,345,000	0	(160,000)	11,185,000	2,085,000
Premium on Certificates of Participation	277,244	0	(50,408)	226,836	0
Total Certificates of Participation Liability	11,622,244	0	(210,408)	11,411,836	2,085,000
Net Pension Liability -					
STRS	21,081,632	0	(3,383,724)	17,697,908	0
SERS	4,708,164	0	(701,263)	4,006,901	0
Total Net Pension Liability	25,789,796	0	(4,084,987)	21,704,809	0
Compensated Absences	716,498	41,616	(65,451)	692,663	104,522
Total Governmental Activities					
Long-Term Liabilities	\$40,045,436	\$95,816	(\$6,279,061)	\$33,862,191	\$2,202,210

On October 22, 2009, the Center issued \$8,855,000 in tax anticipation notes (TANs). The proceeds of the TANs was used for the local share of constructing school facilities under the Vocational Facilities Assistance Program of the Ohio School Facilities Commission; furnishing and equipping the same; and improving the sites thereof. The TANs were issued in anticipation of the collection of the proceeds of the one and four-tenths mill ten year permanent improvement levy approved by electors of the Center at the election held May 5, 2009. The TANs issuance included a premium of \$233,319 which was amortized over the life of the TANs and issuance costs of \$175,302, which was expensed. During fiscal year 2015, the Center retired the TANs and paid the remaining debt service requirement in full.

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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Annual base rent requirements to retire the certificates of participation outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$2,085,000	\$423,581	\$2,508,581
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	\$11,185,000	\$1,300,731	\$12,485,731

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, Adult Education, Vocational Education Federal Grant, and Miscellaneous Federal Grants Special Revenue Funds.

The overall debt margin of the Center as of June 30, 2015, was \$284,408,005, with an unvoted debt margin of \$31,553,882.

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 2015, the amount paid to OMERESA from the Center was \$41,147 for technology, internet access, financial accounting services, and educational management information. The Jefferson County Education Service Center serves as fiscal agent. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015. 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.

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 2015.

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 2015, the Center made a payment of \$412 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 \$2,694 for fiscal year 2015.

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

Participants pay 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, 2015, 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 the 2014-2015 school year, 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, 2015 Foundation funding for the Center; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the Center.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2014	\$0	\$45,566
Current year offsets	(500,000)	0
Current year set-aside requirement	181,286	0
Qualifying disbursements	(560,522)	0
Total	(\$879,236)	\$45,566
 Set-aside reserve balance as of June 30, 2015	 \$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:

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

<u>Governmental Funds</u>	
General Fund	\$107,760
Adult Education Special Revenue Fund	44,700
Permanent Improvement Levy Capital Projects Fund	435,995
Other Governmental Funds	<u>1,602,644</u>
 Total All Funds	 <u><u>\$2,191,099</u></u>

B. Contractual Commitments

As of June 30, 2015, the Center had contractual purchase commitments relating to the Classroom Facilities Project and a local funded project:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 06/30/2015</u>	<u>Amounts Remaining on Contracts</u>
Paul Construction Company, Incorporated	\$6,967,697	\$6,950,937	\$16,760
City Electric Service, Incorporated	3,809,126	3,809,126	0
Shelly and Sands, Incorporated	300,701	300,701	0
Continental Office Environments	12,131	12,131	0
Tom Sexton & Associates	114,489	114,489	0
Zimmerman School Equipment, Inc.	193,982	193,982	0
Total Environmental Services LLC	11,933	11,933	0
Gandee & Associates, Incorporated	51,000	49,432	1,568
ASM Partners	3,066,535	3,026,828	39,707
Smoot Elford McDaniel's	809,011	770,419	38,592
Stan and Associates	17,382	9,891	7,491
Lawhon & Associates	24,752	20,606	4,146
Gutridge Plumbing, Incorporated	7,861,837	7,719,958	141,879
Neff Paving	3,249,270	3,210,124	39,146
X-F Construction Services, Incorporated	4,032,522	3,970,811	61,711
Peach State Roofing	2,171,395	2,035,243	136,152
RJ Martin Electrical Services	2,160,066	2,160,066	0
Louis Polster	413,974	408,198	5,776
Stonecreek, Incorporated	559,609	554,874	4,735
	<u>\$35,827,412</u>	<u>\$35,329,749</u>	<u>\$497,663</u>

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 Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.079173%	0.079173%
Center's Proportionate Share of the Net Pension Liability	\$4,006,901	\$4,708,164
Center's Covered-Employee Payroll	\$2,342,821	\$2,047,137
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	171.03%	229.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 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)

	2014	2013
Center's Proportion of the Net Pension Liability	0.07276065%	0.07276065%
Center's Proportionate Share of the Net Pension Liability	\$17,697,908	\$21,081,632
Center's Covered-Employee Payroll	\$7,396,029	\$7,710,177
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.29%	273.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$300,796	\$324,715	\$283,324	\$276,366
Contributions in Relation to the Contractually Required Contribution	<u>(300,796)</u>	<u>(324,715)</u>	<u>(283,324)</u>	<u>(276,366)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered-Employee Payroll	\$2,282,214	\$2,342,821	\$2,047,137	\$2,054,764
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$239,902	\$254,282	\$161,871	\$172,571	\$173,549	\$194,078
(239,902)	(254,282)	(161,871)	(172,571)	(173,549)	(194,078)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,908,527	\$1,878,005	\$1,645,028	\$1,757,347	\$1,624,991	\$1,834,386
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,018,415	\$961,484	\$1,002,323	\$967,387
Contributions in Relation to the Contractually Required Contribution	<u>(1,018,415)</u>	<u>(961,484)</u>	<u>(1,002,323)</u>	<u>(967,387)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered-Employee Payroll	\$7,274,393	\$7,396,029	\$7,710,177	\$7,441,438
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$977,267	\$973,248	\$937,769	\$914,655	\$899,714	\$897,799
(977,267)	(973,248)	(937,769)	(914,655)	(899,714)	(897,799)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,517,438	\$7,486,523	\$7,213,608	\$7,035,808	\$6,920,877	\$6,906,146
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 FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$ 32,439	\$ 32,439
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	36,943	36,943
National School Lunch Program	2014/2015	10.555	231,098	231,098
Cash Assistance Subtotal			<u>268,041</u>	<u>268,041</u>
Total Child Nutrition Cluster			300,480	300,480
Child and Adult Care Food Program	2014/2015	10.558	15,741	15,741
Total U.S. Department of Agriculture			316,221	316,221
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Adult Education - Basic Grants to States	2014	84.002	28,567	15,355
	2015		184,363	194,335
Total Adult Education - Basic Grants to States			<u>212,930</u>	<u>209,690</u>
Career and Technical Education - Basic Grants to States	2014	84.048	16,946	4,055
	2015		534,507	563,719
Total Career and Technical Education - Basic Grants to States			<u>551,453</u>	<u>567,774</u>
Improving Teacher Quality State Grants	2015	84.367	2,174	2,174
Teacher Incentive Fund	2014	84.374	56,133	17,238
	2015		323,933	352,325
Total Teacher Incentive Fund			<u>380,066</u>	<u>369,563</u>
ARRA - Race to the Top Incentive Grants				
Race to the Top	2015	84.395	41,192	3,377
Student Financial Assistance Cluster:				
<i>Direct from United States Department of Education:</i>				
Federal Pell Grant Program	2015	84.063	624,931	624,931
Federal Direct Student Loans	2015	84.268	1,028,482	1,028,482
Total Student Financial Assistance Cluster			<u>1,653,413</u>	<u>1,653,413</u>
Total U.S. Department of Education			<u>2,841,228</u>	<u>2,805,991</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,157,449</u>	<u>\$ 3,122,212</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Center's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – 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 C – FOOD DONATION PROGRAM

The Center reports commodities consumed on the Schedule at fair value. The Center allocated donated food commodities to the respective program that benefited 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, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 10, 2016. We noted the Center adopted Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for each 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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Center's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal programs.

Management's Responsibility

The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for each of the Center's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 programs. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on each 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 each of its major federal programs for the year ended June 30, 2015.

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 Central'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 OMB Circular A-133, 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 Central'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 OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2016

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

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 control weaknesses 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 internal control weaknesses 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 § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Career and Technical Education - Basic Grants to States – CFDA No. 84.048 • Child Nutrition Cluster – CFDA Nos. 10.553 and 10.555 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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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
FEBRUARY 23, 2016**