MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY
JUNE 30, 2017

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MUSKINGUM COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Mid-East Career and Technology Center's (Center) financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows**:**

- In total, net position of governmental activities increased $3,941,881 which represents approximately a seven and one-half percent increase from 2016.
- General revenues accounted for $17,376,185 in revenue or 68 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for $8,252,145 or 32 percent of total revenues of $25,628,330.
- Current and other assets increased by $2,843,549 due primarily to an increase in property taxes receivable. In addition, deferred outflows increased by $2,888,662 due to pension related items.
- The Center had $21,686,449 in expenses related to governmental activities; only $8,252,145 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) in the amount of $17,376,185 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 2016-2017 fiscal year?" The Statement of Net Position and the Statement of Activities answer this question.

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

These two statements report the Center's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the *financial position* 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 Capital Projects Fund.

Governmental Funds Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Center's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities

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

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 2017 compared to 2016.

(Table 1)
Net Position

	Governmental Activities		
	2017	2016	Change
Assets			
Current and Other Assets	$47,934,412	$45,090,863	$2,843,549
Capital Assets, Net	52,443,678	50,660,587	1,783,091
Total Assets	100,378,090	95,751,450	4,626,640
Deferred Outflows of Resources			
Pension	5,211,208	2,322,546	2,888,662
Liabilities			
Current and Other Liabilities	2,267,491	1,648,490	619,001
Long-Term Liabilities			
Due Within One Year	2,304,422	2,262,337	42,085
Due in More Than One Year:			
Net Pension Liability	28,775,380	23,764,618	5,010,762
Other Amounts Due in More Than One Year	5,628,647	7,844,639	(2,215,992)
Total Liabilities	38,975,940	35,520,084	3,455,856
Deferred Inflows of Resources			
Property and Payment in Lieu of Taxes	9,454,018	7,820,715	1,633,303
Pension	749,788	2,265,526	(1,515,738)
Total Deferred Inflows of Resources	10,203,806	10,086,241	117,565
Net Position			
Net Investment in Capital Assets	45,296,417	41,446,083	3,850,334
Restricted	11,985,325	12,645,490	(660,165)
Unrestricted (Deficit)	(872,190)	(1,623,902)	751,712
Total Net Position	$56,409,552	$52,467,671	$3,941,881

The net pension liability is the largest single liability reported by the Center at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Total assets reflect an increase in the amount of $4,626,640. Current and other assets reflect an overall increase in the amount of $2,843,549 due primarily to increases in cash and cash equivalents and property taxes receivable which were offset by a decrease in intergovernmental receivable. Cash and cash equivalents increased by $2,736,697 as the Center strives to maintain a healthy working balance in as many areas as possible. In addition, property taxes receivable reflect an increase in the amount of $680,940 due to a continued increase in public utility property valuations. Due to some counties in the Center's boundaries benefitting greatly from the oil and gas industry, public utility valuations increased due to the construction of additional stations and transmission lines, and public utility tax revenue on production is also increasing. Another component in the overall increase in total assets is an increase in capital assets in the amount of $1,783,091 primarily due to capital outlay exceeding depreciation in the amount of $1,800,564. Offsetting these increases was a decrease in intergovernmental receivables in the amount of $679,728. Straight A grants receivable decreased due to the completion of this temporary grant funding.

Total liabilities increased by $3,455,856. Current and other liabilities increased by $619,001, the majority of which is an increase of $338,444 in intergovernmental payables due to foundation deduction adjustments. Payables (accounts, contracts, and retainage) increased by $168,631 as the Center has a final payment on a contract due at year end. Long-term liabilities, excluding the pension liability, decreased in the amount of $2,173,907 due to the Center making required debt service payments.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the Center has improved as evidenced by the increase in net position in the amount of $3,941,881. The largest change is in Net Investment in Capital Assets, a result of the decrease in capital related debt as discussed above.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

Table 2 - Change in Net Position

	Governmental Activities		
	2017	2016	Change
Revenues			
Program Revenues:			
Charges for Services	$3,175,540	$3,107,471	$68,069
Operating Grants, Contributions, and Interest	4,614,696	5,472,960	(858,264)
Capital Grants, Contributions, and Interest	461,909	749,284	(287,375)
Total Program Revenues	8,252,145	9,329,715	(1,077,570)
General Revenues:			
Property Taxes	11,206,490	11,503,201	(296,711)
Payments in Lieu of Taxes	35,238	36,581	(1,343)
Grants and Entitlements	5,958,303	5,692,431	265,872
Investment Earnings and Miscellaneous	176,154	313,026	(136,872)
Total General Revenues	17,376,185	17,545,239	(169,054)
Total Revenues	25,628,330	26,874,954	(1,246,624)
Program Expenses			
Instruction:			
Regular	2,670,798	2,279,869	390,929
Vocational	8,058,151	7,026,851	1,031,300
Adult/Continuing	2,619,786	2,447,292	172,494
Support Services:			
Pupils	1,269,616	1,222,839	46,777
Instructional Staff	1,341,397	1,134,080	207,317
Board of Education	83,864	71,721	12,143
Administration	1,634,386	1,637,446	(3,060)
Fiscal	916,151	853,077	63,074
Business	330,506	273,520	56,986
Operation and Maintenance of Plant	1,480,647	2,660,544	(1,179,897)
Pupil Transportation	107,392	117,011	(9,619)
Central	181,328	182,767	(1,439)
Operation of Non-Instructional Services	564,877	508,679	56,198
Extracurricular Activities	121,730	108,691	13,039
Interest	305,820	372,429	(66,609)
Total Expenses	21,686,449	20,896,816	789,633
Change in Net Position	3,941,881	5,978,138	(2,036,257)
Net Position Beginning of Year	52,467,671	46,489,533	5,978,138
Net Position End of Year	$56,409,552	$52,467,671	$3,941,881

The Center's net position increased $3,941,881. As indicated in Table 2, the largest revenue fluctuation is evident in operating grants, contributions, and interest, a decrease in the amount of $858,264. This decrease is primarily due to the completion of the Straight A grant in the prior fiscal year.

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 44 percent of revenues for governmental activities in fiscal year 2017. The remaining 56 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 62 percent of total governmental program expenses. Of the instructional expenses, approximately 60 percent is for vocational instruction, 20 percent is for regular instruction, and 20 percent is for adult/continuing instruction. The largest changes in expenses are in vocational instruction and operation and maintenance of plant expenses. The vocational instruction expense, which is the main operating program of the Center, increased in the amount of $1,031,300. Operating expenses have increased in the amount of $820,990 from the prior year mostly attributable to salaries and benefits of additional classified and certified personnel. In addition, foundation deduction expenses increased as the state continues to reconcile annualized full-time equivalent (FTE) enrollment of each student for fiscal year 2017. Another large fluctuation in expenses is reflected in operation and maintenance of plant expenses which decreased by $1,179,897. This decrease is the result of non-capitalized furniture expenses related to the completion of the classroom facilities project that were made in fiscal year 2016.

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.

Table 3 - Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Instructional Services:				
Regular	$2,670,798	$2,670,798	$2,279,869	$2,151,554
Vocational	8,058,151	4,608,660	7,026,851	2,588,376
Adult/Continuing	2,619,786	(221,960)	2,447,292	(270,585)
Suport Services:				
Pupils	1,269,616	1,099,726	1,222,839	1,010,088
Instructional Staff	1,341,397	595,675	1,134,080	482,694
Board of Education	83,864	83,864	71,721	71,721
Administration	1,634,386	1,621,859	1,637,446	1,494,782
Fiscal	916,151	790,051	853,077	720,895
Business	330,506	330,506	273,520	273,520
Operation and Maintenance of Plant	1,480,647	1,042,325	2,660,544	2,199,621
Pupil Transportation	107,392	107,392	117,011	117,011
Central	181,328	181,328	182,767	182,767
Operation of Non-Instructional Services	564,877	96,530	508,679	63,537
Extracurricular Activities	121,730	121,730	108,691	108,691
Interest	305,820	305,820	372,429	372,429
Total Expenses	$21,686,449	$13,434,304	$20,896,816	$11,567,101

The dependence upon tax revenues and State subsidies is apparent. Approximately 62 percent of total expenses are supported through taxes and other general revenues. Over the past several years the Center has remained in a stable financial position. The Center receives tax revenues from Muskingum, Guernsey, Licking, Coshocton, Perry, Washington, Monroe, Fairfield, and Noble Counties. The adult/continuing instruction reflects a net revenue in the amount of $221,960. Tuition and grant funding are adequate to cover the cost of this program.

The Center's Major Funds

The Center's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues in the amount of $26,033,863 and expenditures in the amount of $24,987,354.

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 $304,252. This positive change in the General Fund, which has been the case for the past few years, reflects the Center's continuing commitment to maintaining a healthy cumulative balance in its chief operating fund. Even with a decrease in revenues and an increase in expenditures from the prior fiscal year, the Center continues to maintain a positive change in fund balance from year to year. Sound fiscal and administrative judgment has helped the Center meet their goal not to deficit spend. The Adult Education Special Revenue Fund adds to its carryover fund balance with a net change of $358,584. This program continues to cover its costs associated with adult instruction with adequate tuition and grant revenue. The Bond Retirement Debt Service Fund had no change in fund balance as this fund only accumulates enough revenue to meet the current year debt service requirements. The Permanent Improvement Capital Projects Fund had an increase in fund balance in the amount of $1,020,939 primarily the result of a transfer from the General Fund in the amount of $1,000,000. The Center has committed to accumulating a balance in this fund to help in future years with capital expenses and projects not covered by the recent completion of 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.

During the course of fiscal year 2017, the Center did amend its General Fund budget from the original levels but changes to the final budgeted amounts were not significant. For the General Fund, actual revenues exceeded final budgeted amounts by $608,457, largely the result of careful estimates associated with property tax revenues. In addition, final budgeted expenditures exceeded actual results in the amount of $866,794 due to conservative spending. The Center budgeted to purchase a piece of property during fiscal year 2017 but the property was not ready for transfer yet. In addition, the Center budgeted an additional $365,000 for foundation deductions that did not occur. A general reason for these variances is due to the Center using a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund unencumbered ending cash balance totaled $17,825,384, which was $1,520,749 above the final budgeted amount of $16,304,635.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the Center had $52,443,678 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. Table 4 shows fiscal year 2017 balances compared to 2016.

Table 4
Capital Assets at June 30

	Governmental Activities	
	2017	2016
Land	$338,075	$338,075
Buildings and Improvements	49,965,410	48,494,497
Vehicles	443,470	441,788
Machinery, Equipment, Furniture and Fixtures	1,696,723	1,386,227
Totals	$52,443,678	$50,660,587

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

Long-Term Debt

At June 30, 2017, the Center had $39,014 outstanding for capital leases and $7,071,020 in certificates of participation outstanding, including the premium on the certificates of participation.

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

See Notes 17 and 18 for more detailed information about the Center's debt.

Economic Factors

During fiscal year 2017, on a modified accrual basis, General Fund revenues exceeded General Fund expenditures by $1,343,252, but there were other financing sources and uses that reduced this amount to $304,252. 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, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$31,647,518
Cash and Cash Equivalents in Segregated Accounts	934,574
Accounts Receivable	333,767
Inventory Held for Resale	5,620
Materials and Supplies Inventory	60,281
Prepaid Items	159,148
Accrued Interest Receivable	57,579
Property Taxes Receivable	13,507,104
Payment in Lieu of Taxes Receivable	30,930
Intergovernmental Receivable	1,197,891
Nondepreciable Capital Assets	338,075
Depreciable Capital Assets, Net	52,105,603
Total Assets	100,378,090
Deferred Outflows of Resources	
Pension	5,211,208
Liabilities	
Matured Compensated Absences Payable	2,286
Accounts Payable	142,258
Contracts Payable	101,247
Retainage Payable	1,356
Accrued Wages and Benefits Payable	1,306,307
Intergovernmental Payable	537,633
Accrued Interest Payable	26,185
Vacation Benefits Payable	150,219
Long-Term Liabilities:	
Due Within One Year	2,304,422
Due In More Than One Year:	
Net Pension Liability (See Note 15)	28,775,380
Other Amounts Due In More Than One Year	5,628,647
Total Liabilities	38,975,940
Deferred Inflows of Resources	
Property Taxes	9,423,088
Payment in Lieu of Taxes	30,930
Pension	749,788
Total Deferred Inflows of Resources	10,203,806
Net Position	
Net Investment in Capital Assets	45,296,417
Restricted for:	
Capital Projects	5,946,938
Set Asides	45,566
Adult Education	2,031,179
Classroom Facilities Maintenance	3,860,264
State Grant Programs	21,627
Unclaimed Monies	8,142
Federal Grant Programs	71,609
Unrestricted (Deficit)	(872,190)
Total Net Position	$56,409,552

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, 2017

		Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$2,670,798	$0	$0	$0	($2,670,798)
Vocational	8,058,151	304,372	3,145,119	0	(4,608,660)
Adult/Continuing	2,619,786	2,169,171	672,575	0	221,960
Support Services:					
Pupils	1,269,616	0	169,890	0	(1,099,726)
Instructional Staff	1,341,397	418,812	326,910	0	(595,675)
Board of Education	83,864	0	0	0	(83,864)
Administration	1,634,386	0	12,527	0	(1,621,859)
Fiscal	916,151	85,277	17,086	23,737	(790,051)
Business	330,506	0	0	0	(330,506)
Operation and Maintenance of Plant	1,480,647	150	0	438,172	(1,042,325)
Pupil Transportation	107,392	0	0	0	(107,392)
Central	181,328	0	0	0	(181,328)
Operation of Non-Instructional Services:					
Food Service Operations	561,153	197,758	270,589	0	(92,806)
Other Non-Instructional Services	3,724	0	0	0	(3,724)
Extracurricular Activities	121,730	0	0	0	(121,730)
Interest	305,820	0	0	0	(305,820)
Total Governmental Activities	$21,686,449	$3,175,540	$4,614,696	$461,909	(13,434,304)

General Revenues	
Property Taxes Levied for General Purposes	6,987,728
Property Taxes Levied for Building Maintenance	1,000,329
Property Taxes Levied for Debt Service	2,506,385
Property Taxes Levied for Capital Outlay	712,048
Payments in Lieu of Taxes	35,238
Grants and Entitlements not Restricted to Specific Programs	5,958,303
Investment Earnings	107,959
Miscellaneous	68,195
Total General Revenues	17,376,185
Change in Net Position	3,941,881
Net Position Beginning of Year	52,467,671
Net Position End of Year	$56,409,552

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Adult Education	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$17,835,337	$1,842,144	$0	$5,424,419	$6,491,910	$31,593,810
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	934,574	934,574
Inventory Held for Resale	0	0	0	0	5,620	5,620
Materials and Supplies Inventory	56,708	0	0	0	3,573	60,281
Accounts Receivable	34,969	298,798	0	0	0	333,767
Intergovernmental Receivable	61,094	1,850	0	0	1,134,947	1,197,891
Accrued Interest Receivable	39,756	3,329	0	9,792	4,702	57,579
Interfund Receivable	74,045	0	0	0	0	74,045
Prepaid Items	123,812	22,740	0	0	12,596	159,148
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	53,708	0	0	0	0	53,708
Payment In Lieu of Taxes Receivable	20,782	0	0	0	10,148	30,930
Property Taxes Receivable	8,439,132	0	2,500,650	0	2,567,322	13,507,104
Total Assets	$26,739,343	$2,168,861	$2,500,650	$5,434,211	$11,165,392	$48,008,457
Liabilities						
Accounts Payable	$68,023	$11,965	$0	$0	$62,270	$142,258
Contracts Payable	0	0	0	0	101,247	101,247
Accrued Wages and Benefits Payable	1,138,507	65,069	0	0	102,731	1,306,307
Matured Compensated Absences Payable	2,286	0	0	0	0	2,286
Intergovernmental Payable	504,176	10,901	0	0	22,556	537,633
Interfund Payable	0	44	0	0	74,001	74,045
Retainage Payable	0	0	0	0	1,356	1,356
Total Liabilities	1,712,992	87,979	0	0	364,161	2,165,132
Deferred Inflows of Resources						
Property Taxes	5,920,684	0	2,500,650	0	1,001,754	9,423,088
Payment in Lieu of Taxes	20,782	0	0	0	10,148	30,930
Unavailable Revenue	868,184	274,278	0	3,562	1,550,579	2,696,603
Total Deferred Inflows of Resources	6,809,650	274,278	2,500,650	3,562	2,562,481	12,150,621
Fund Balances						
Nonspendable:						
Inventories	56,708	0	0	0	3,573	60,281
Prepaid Items	123,812	22,740	0	0	12,596	159,148
Unclaimed Monies	8,142	0	0	0	0	8,142
Restricted for:						
Budget Stabilization	45,566	0	0	0	0	45,566
Adult Education	0	1,783,864	0	0	0	1,783,864
Classroom Facilities Maintenance	0	0	0	0	3,859,413	3,859,413
State Grant Expenditures	0	0	0	0	14,843	14,843
Capital Improvements	0	0	0	0	4,340,103	4,340,103
Committed to:						
Encumbrances	47,211	0	0	0	0	47,211
Capital Improvements	0	0	0	5,430,649	0	5,430,649
Budget Stabilization	128,102	0	0	0	0	128,102
Severance Payments	500,667	0	0	0	0	500,667
Scholarships	0	0	0	0	71,251	71,251
Assigned to:						
Purchases on Order	114,473	0	0	0	0	114,473
Other Purposes	27,171	0	0	0	0	27,171
Unassigned (Deficit)	17,164,849	0	0	0	(63,029)	17,101,820
Total Fund Balances	18,216,701	1,806,604	0	5,430,649	8,238,750	33,692,704
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$26,739,343	$2,168,861	$2,500,650	$5,434,211	$11,165,392	$48,008,457

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, 2017

Total Governmental Fund Balances		$33,692,704
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.		52,443,678
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 Receivable	1,395,290	
Accrued Interest Receivable	20,946	
Accounts Receivable	284,864	
Grants Receivable	995,503	2,696,603
Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(150,219)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(26,185)
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	5,211,208	
Deferred Inflows - Pension	(749,788)	
Net Pension Liability	(28,775,380)	(24,313,960)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(39,014)	
Certificates of Participation	(6,945,000)	
Premium on Certificates of Participation	(126,020)	
Compensated Absences	(823,035)	(7,933,069)
Net Position of Governmental Activities		$56,409,552

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, 2017

	General	Adult Education	Bond Retirement	Permanent Improvement	Other Govermental Funds	Total Governmental Funds
Revenues						
Property Taxes	$6,967,021	$0	$2,512,375	$0	$1,689,602	$11,168,998
Payment in Lieu of Taxes	34,052	0	0	0	1,186	35,238
Intergovernmental	8,541,141	511,913	0	0	2,465,821	11,518,875
Interest	87,215	5,957	0	20,939	7,210	121,321
Tuition and Fees	225,374	2,531,240	0	0	0	2,756,614
Rent	150	0	0	0	0	150
Gifts and Donations	300	0	0	0	0	300
Charges for Services	163,158	0	0	0	201,014	364,172
Miscellaneous	68,195	0	0	0	0	68,195
Total Revenues	16,086,606	3,049,110	2,512,375	20,939	4,364,833	26,033,863
Expenditures						
Current:						
Instruction:						
Regular	2,226,538	0	0	0	142,552	2,369,090
Vocational	6,980,322	0	0	0	969,844	7,950,166
Adult/Continuing	2,536	2,178,037	0	0	248,150	2,428,723
Support Services:						
Pupils	995,924	0	0	0	168,229	1,164,153
Instructional Staff	491,445	419,293	0	0	296,186	1,206,924
Board of Education	78,901	0	0	0	0	78,901
Administration	1,438,963	0	0	0	11,239	1,450,202
Fiscal	657,531	93,196	0	0	111,533	862,260
Business	298,330	0	0	0	0	298,330
Operation and Maintenance of Plant	1,235,889	0	0	0	161,492	1,397,381
Pupil Transportation	64,111	0	0	0	0	64,111
Central	148,739	0	0	0	0	148,739
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	516,691	516,691
Other Non-Instructional Services	390	0	0	0	3,023	3,413
Extracurricular Activities	102,959	0	0	0	0	102,959
Capital Outlay	0	0	0	0	2,412,160	2,412,160
Debt Service:						
Principal Retirement	16,715	0	2,155,000	0	0	2,171,715
Interest and Fiscal Charges	4,061	0	357,375	0	0	361,436
Total Expenditures	14,743,354	2,690,526	2,512,375	0	5,041,099	24,987,354
Excess of Revenues Over (Under) Expenditures	1,343,252	358,584	0	20,939	(676,266)	1,046,509
Other Financing Sources (Use)						
Transfers In	0	0	0	1,000,000	40,000	1,040,000
Proceeds from Sale of Capital Assets	1,000	0	0	0	0	1,000
Transfers Out	(1,040,000)	0	0	0	0	(1,040,000)
Total Other Financing Sources (Use)	(1,039,000)	0	0	1,000,000	40,000	1,000
Net Change in Fund Balances	304,252	358,584	0	1,020,939	(636,266)	1,047,509
Fund Balances Beginning of Year	17,912,449	1,448,020	0	4,409,710	8,875,016	32,645,195
Fund Balances End of Year	$18,216,701	$1,806,604	$0	$5,430,649	$8,238,750	$33,692,704

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, 2017

Net Change in Fund Balances - Total Governmental Funds			$1,047,509
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	3,217,592	
	Current Year Depreciation	(1,417,028)	1,800,564
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	(1,000)	
	Loss on Disposal of Assets	(16,473)	(17,473)
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	37,492	
	Interest	(955)	
	Tuition and Fees	57,860	
	Charges for Services	(3,256)	
	Grants	(531,965)	(440,824)
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	16,715	
	Certificates of Participation	2,155,000	2,171,715
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:			
	Accrued Interest	5,208	
	Amortization of Premiums	50,408	55,616
Contractually required contributions are reported as expenditures in governmental funds, however, the statement of net position reports these amounts as deferred outflows.			1,441,826
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(2,048,188)
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	(48,216)	
	Vacation Benefits	(20,648)	(68,864)
Change in Net Position of Governmental Activities			$3,941,881

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, 2017

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$7,052,000	$7,052,000	$7,597,286	$545,286
Payment in Lieu of Taxes	28,000	28,000	34,052	6,052
Intergovernmental	8,539,000	8,549,000	8,619,838	70,838
Interest	135,000	135,000	208,677	73,677
Tuition and Fees	321,180	321,180	229,436	(91,744)
Rentals	2,500	2,500	150	(2,350)
Gifts and Donations	300	300	300	0
Charges for Services	136,250	136,250	167,369	31,119
Miscellaneous	44,185	44,185	19,764	(24,421)
Total Revenues	16,258,415	16,268,415	16,876,872	608,457
Expenditures				
Current:				
Instruction:				
Regular	2,184,931	2,184,931	2,214,317	(29,386)
Vocational	7,261,483	7,291,483	6,672,305	619,178
Adult/Continuing	11,567	11,567	4,567	7,000
Support Services:				
Pupils	969,013	969,013	993,443	(24,430)
Instructional Staff	537,937	537,937	511,554	26,383
Board of Education	117,556	117,556	84,919	32,637
Administration	1,403,247	1,403,247	1,448,525	(45,278)
Fiscal	704,212	704,212	678,184	26,028
Business	276,861	276,861	310,451	(33,590)
Operation and Maintenance of Plant	1,399,727	1,399,727	1,270,878	128,849
Pupil Transportation	105,441	105,441	81,995	23,446
Central	153,969	153,969	166,393	(12,424)
Operation of Non-Instructional/Shared Services	1,701	1,701	701	1,000
Extracurricular Activities	131,774	131,774	102,836	28,938
Capital Outlay	118,443	118,443	0	118,443
Debt Service:				
Principal Retirement	16,715	16,715	16,715	0
Interest and Fiscal Charges	4,061	4,061	4,061	0
Total Expenditures	15,398,638	15,428,638	14,561,844	866,794
Excess of Revenues Over Expenditures	859,777	839,777	2,315,028	1,475,251
Other Financing Source (Use)				
Proceeds from Sale of Capital Assets	5,215	5,215	1,000	(4,215)
Transfers Out	(1,089,713)	(1,089,713)	(1,040,000)	49,713
Total Other Financing Source (Use)	(1,084,498)	(1,084,498)	(1,039,000)	45,498
Net Change in Fund Balance	(224,721)	(244,721)	1,276,028	1,520,749
Fund Balance Beginning of Year	16,408,636	16,408,636	16,408,636	0
Prior Year Encumbrances Appropriated	140,720	140,720	140,720	0
Fund Balance End of Year	$16,324,635	$16,304,635	$17,825,384	$1,520,749

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, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	$450,000	$450,000	$509,795	$59,795
Interest	0	0	17,432	17,432
Tuition and Fees	2,971,240	2,567,010	2,503,659	(63,351)
Customer Sales and Services	0	171,700	0	(171,700)
Total Revenues	3,421,240	3,188,710	3,030,886	(157,824)
Expenditures				
Current:				
Instruction:				
Adult/Continuing	2,860,073	2,627,543	2,198,491	429,052
Support Services:				
Instructional Staff	489,244	489,244	423,321	65,923
Fiscal	107,427	107,427	93,122	14,305
Total Expenditures	3,456,744	3,224,214	2,714,934	509,280
Excess of Revenues Over (Under) Expenditures	(35,504)	(35,504)	315,952	351,456
Fund Balance Beginning of Year	1,457,072	1,457,072	1,457,072	0
Prior Year Encumbrances Appropriated	38,126	38,126	38,126	0
Fund Balance End of Year	$1,459,694	$1,459,694	$1,811,150	$351,456

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$88,609	$42,193
Cash and Cash Equivalents in Segregated Accounts	3,953	0
Investments in Segregated Accounts	906,030	0
Total Assets	998,592	$42,193
Liabilities		
Due to Students	0	$42,193
Total Liabilities	0	$42,193
Net Position		
Held in Trust for Scholarships	$998,592	

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, 2017

	Private Purpose Trust
Additions	
Investment Income	$149,067
Deductions	
Payments for Scholarships	44,680
Change in Net Position	104,387
Net Position Beginning of Year	894,205
Net Position End of Year	$998,592

See accompanying notes to the basic financial statements

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-seven classified employees and one hundred and thirty-nine certified teaching personnel who provide services to nine hundred and sixty-seven students and other community members. The Center currently operates ten instructional and administrative buildings on two campuses.

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

Reporting Entity

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

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

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

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 Association of School Business Officials Workers' Compensation Group Retrospective Rating Program and the Ohio School Benefits Cooperative, which are defined as group insurance purchasing pools. Additional information concerning these organizations is presented in Note 19.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The Center's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

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 Capital Projects Fund*** The Permanent Improvement Capital Projects Fund accounts for transfers from the General Fund committed 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.

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.

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.

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.

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 15.

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, payment in lieu of taxes, pension, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 18. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 15)

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

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

Cash 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 2017, the Center's investments were limited to federal agency securities, mutual funds, negotiable certificates of deposit, money market deposit accounts, and STAR Ohio. Investments in federal agency securities, mutual funds, negotiable certificates of deposit, and money market deposit accounts are stated at fair value based on quoted market prices. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants". The Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides and NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Based upon Board policy, the Center distributes interest to the General Fund, the Adult Education, Fox Scholarship, and Food Service Special Revenue Funds, 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 2017 amounted to $87,215, which includes $39,940 assigned from other Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents. Investments with an original maturity of greater than three months and not purchased from the cash management pool are presented on the financial statements as cash and cash equivalents and investments in segregated accounts. The Center reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which services are consumed.

Inventory

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

Capital Assets

All of the Center’s capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

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

Interfund Balances

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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.

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.

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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the repayment to the bond escrow agent.

Interfund Activity

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

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

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets 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 21 for additional information regarding set asides.

Fund Balance

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

> Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.
>
> Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.
>
> Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Center Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> Assigned: Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Center Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.
>
> Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Net Position

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

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Estimates

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

Budgetary Data

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

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

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

Note 3 - Change in Accounting Principles

For fiscal year 2017, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the Center's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The Center also implemented GASB's Implementation Guide No. 2016-1. These changes were incorporated in the Center's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2017, the Vocational Education Federal Grant Special Revenue Fund and Classroom Facilities Capital Projects Fund had deficit fund balances in the amounts of $28,490 and $27,915, 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).

6. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.

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

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	$304,252	$358,584
Net Adjustment for Revenue Accruals	487,442	(28,230)
Unrecorded Cash - Prior Year	(2,506)	(188)
Unrecorded Cash - Current Year	(2,878)	(241)
Change in Market Value of Investments - Prior Year	77,929	5,856
Change in Market Value of Investments - Current Year	54,667	4,579
Prepaid Items - Prior Year	96,062	23,098
Prepaid Items - Current Year	(123,812)	(22,740)
Net Adjustment for Expenditure Accruals	472,712	10,566
Advances In	175,612	0
Advances Out	(74,001)	0
Encumbrances	(189,451)	(35,332)
Budget Basis	$1,276,028	$315,952

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) and (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits*:** Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $441,515 of the Center's bank balance of $14,617,739 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

***Investments*:** As of June 30, 2017, the Center had the following investments:

Measurement/Investment	Measurement Amount	Maturity	S&P/ Moody's Rating	Percent of Total Investments
Fair Value - Level 1 Inputs				
Massachusetts Investors Trust -				
Open End Mutual Fund	$906,030	N/A	N/A	4.71%
Money Market Funds	308,724	N/A	N/A	1.61%
Fair Value - Level 2 Inputs				
Federal Home Loan Mortgage Corporation	668,767	05/26/2020-08/10/2020	AA+/Aaa	3.48%
Federal National Mortgage Association	6,110,721	08/26/2017-08/24/2021	AA+/Aaa	31.79%
Federal Home Loan Bank	3,943,143	08/25/2017-08/26/2019	AA+/Aaa	20.51%
Federal Farm Credit	3,805,623	07/6/2017-11/29/2019	AA+/Aaa	19.80%
Negotiable Certificates of Deposit	3,479,521	07/05/2017-01/13/2022	N/A	18.10%
Net Value Per Share				
STAR Ohio	139,902	Average 45.5 days	AAAm	N/A
Total	$19,362,431			

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Center's recurring fair value measurements as of June 30, 2017. The Open End Mutual Fund and Money Market Mutual Fund ae measured at fair value and are valued using quoted market prices (Level 1 inputs). The Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (level 2 inputs).

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the Center. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in 2017 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, 2017, are available to finance fiscal year 2017 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, 2017 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, 2017, was $1,676,523 in the General Fund and $1,012,203 in the Permanent Improvement Levy Capital Projects Fund. The amount available as an advance at June 30, 2016, was $2,306,788 in the General Fund and $1,374,498 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 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$2,915,718,140	82.53%	$3,021,992,364	80.94%
Public Utility Personal	617,181,690	17.47%	711,755,300	19.06%
Total	$3,532,899,830	100.00%	$3,733,747,664	100.00%
Tax rate per $1,000 of assessed valuation	$4.60		$4.60	

Note 8 - Tax Abatements

Center property taxes were reduced as follows under enterprise zone tax exemption agreements entered into by overlapping governments:

Overlapping Government	Fiscal Year 2017 Taxes Abated
Rolling Hills Local School District	$39,371
Cambridge City School District	6,619
Zanesville City School District	726
Tri-Valley Local School District	33,585
Maysville Local School District	357
East Muskingum Local School District	849
West Muskingum Local School District	4,994
	$86,501

The above amounts are reported net of the payments in lieu of taxes that the Center receives as a result of these overlapping government agreements with counties in the boundaries of the Center. The overlapping governments have agreed to these enterprise zone agreements with various companies and are being made whole for lost real and personal property taxes that otherwise would have been due each year, pursuant to the financing agreements. The Center shares in these payments that are shown as Payment in Lieu of Taxes in the financial statements.

Note 9 - Receivables

Receivables at June 30, 2017, 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 $1,395,290 may not be collected within one year. The portion of the State Classroom Facilities grant totaling $916,545 that will be paid to the Center through the Ohio School Facilities Commission for future construction will not be collected within one year.

On October 1, 2009, the Center was awarded $22,712,695 for renovations to buildings on two campuses under the State's "Classroom Facilities Program". Under this program, the Center entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs.

As part of the process, the Center maintains a fund into which a set amount of proceeds from a levy is receipted for facilities maintenance. On December 23, 2010, an amendment to this project was approved in the amount of $3,233,631 due to a reassessment of the budget for the project. As of the end of the fiscal year 2017, the Center had received $25,029,781 of the monies awarded under this program. The remaining amount of $916,545 is recorded as a receivable and unavailable revenue on the balance sheet. A summary of principal items of intergovernmental receivables follows:

	Amounts
ABLE Grant	$122,448
Carl D. Perkins Secondary Grant	44,682
Carl D. Perkins Adult Grant	44,930
Title II-A	2,646
High Schools That Work Grant	3,696
Ohio School Facilities Grant	916,545
Food Service Reimbursements	1,608
Bureau of Workers' Compensation Refund	33,281
Miscellaneous Intergovernmental Receivables	28,055
Total	$1,197,891

Note 10 - Interfund Balances

At June 30, 2017, the General Fund reflected an interfund receivable in the amount of $74,045 which was due from the Adult Education, Vocational Education Federal Grant, and the Miscellaneous Federal Grants Special Revenue Funds in the amounts of $44, $42,958, and $31,043, respectively, on the governmental fund balance sheet. These transactions are the result of time lags between the dates interfund goods and services are provided ($44) and interfund loans used to provide cash flow resources until the receipt of grant monies ($74,001).

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	$338,075	$0	$0	$338,075
Depreciable Capital Assets				
Buildings and Improvements	56,784,510	2,614,756	0	59,399,266
Vehicles	972,335	88,500	(82,373)	978,462
Machinery, Equipment, Furniture and Fixtures	3,049,751	514,336	(122,300)	3,441,787
Total Capital Assets Being Depreciated	60,806,596	3,217,592	(204,673)	63,819,515
Less Accumulated Depreciation:				
Buildings and Improvements	(8,290,013)	(1,143,843)	0	(9,433,856)
Vehicles	(530,547)	(71,325)	66,880	(534,992)
Machinery, Equipment, Furniture and Fixtures	(1,663,524)	(201,860)	120,320	(1,745,064)
Total Accumulated Depreciation	(10,484,084)	(1,417,028) *	187,200	(11,713,912)
Total Capital Assets Being Depreciated, Net	50,322,512	1,800,564	(17,473)	52,105,603
Governmental Activities Capital Assets, Net	$50,660,587	$1,800,564	($17,473)	$52,443,678

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$179,633
Vocational	608,815
Adult/Continuing	125,647
Support Services:	
Pupils	79,502
Instructional Staff	71,215
Board of Education	2,119
Administration	117,112
Fiscal	29,942
Business	18,968
Operation and Maintenance of Plant	80,120
Pupil Transportation	39,689
Central	28,838
Non-Instructional Services - Food Service Operations	27,845
Extracurricular Activities	7,583
Total Governmental Depreciation	$1,417,028

Note 12 - Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	Transfer To		
	Major Fund	Other	
Transfer From	Permanent Improvement	Governmental Funds	Totals
Major Fund:			
General Fund	$1,000,000	$40,000	$1,040,000

The Center transferred $1,000,000 from the General Fund to the Permanent Improvement Capital Projects Fund in order to maintain a working balance in this fund. The Center also transferred $40,000 from the General Fund to the Food Service Special Revenue Fund to provide additional funding to support of the operations of the Center's cafeterias.

Note 13 - Risk Management

Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the Center contracted with Utica National Insurance Group, through The Young Insurance Agency. Coverage is as follows:

Commercial Property	$58,939,303	$5,000 deductible
Commercial General Liability:		
Per Occurrence	1,000,000	$1,000 deductible
Aggregate Per Year	3,000,000	$1,000 deductible
Commercial Crime Per Occurrence	100,000	no deductible
Commercial Inland Marine		
Builders' Risk	150,000	$1,000 deductible
Miscellaneous Floater Coverage	1,581,000	$5,000 deductible
Commercial Auto		
Liability	1,000,000	$1,000 deductible
Medical Expense	5,000	$500 deductible
Comprehensive	Actual Cash Value	$1,000 deductible
Collision	Actual Cash Value	$1,000 deductible
Commercial Liability Umbrella		
Per Occurrence	3,000,000	$1,000 deductible

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

Workers' Compensation

For fiscal year 2017, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 19). The GRP is an alternative rating program to assist participants with controlling and reducing their workers' compensation premium. The program is designed to reward participants that are able to keep their claim costs below a predetermined amount. School districts join together as a group; however, each continues to pay their own individual premium to the State. At the end of each of the three evaluation periods, each school district has an opportunity to receive retrospective premium adjustments based on the combined performance of the group. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 14 - Other Employee Benefits

Compensated Absences

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

Insurance

The Center provides health insurance benefits through the Ohio School Benefits Cooperative, an insurance purchasing pool (see Note 19). The costs of health insurance premiums are $1,875.43 for family coverage and $749.26 for single coverage. The employees are responsible to pay $281.31 for family coverage and $112.39 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 $96.57 for both family and single coverage with the employee share being $14.49.

Note 15 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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.

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Center's contractually required contribution to SERS was $358,611 for fiscal year 2017. Of this amount $24,388 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 sysem administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was $1,083,215 for fiscal year 2017. Of this amount, $135,741 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.07701230%	0.07008781%	
Proportion of the Net Pension Liability Current Measurement Date	0.07565180%	0.06942418%	
Change in Proportionate Share	-0.00136050%	-0.00066363%	
Proportionate Share of the Net Pension Liability	$5,537,013	$23,238,367	$28,775,380
Pension Expense	$524,475	$1,523,713	$2,048,188

At June 30, 2017, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$74,682	$938,942	$1,013,624
Changes of assumptions	369,626	0	369,626
Net difference between projected and actual earnings on pension plan investments	456,723	1,929,409	2,386,132
Center contributions subsequent to the measurement date	358,611	1,083,215	1,441,826
Total Deferred Outflows of Resources	$1,259,642	$3,951,566	$5,211,208
Deferred Inflows of Resources			
Changes in proportionate share and difference between Center contributions and proportionate share of contributions	$120,958	$628,830	$749,788

$1,441,826 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$174,088	$257,748	$431,836
2019	173,758	257,747	431,505
2020	300,938	998,114	1,299,052
2021	131,289	725,912	857,201
Total	$780,073	$2,239,521	$3,019,594

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, 2016, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	$7,330,661	$5,537,013	$4,035,656

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	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 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. 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, 2016. 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, 2016.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$30,881,900	$23,238,367	$16,790,594

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the Center's NPL is expected to be significant.

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, 2017, there are fifteen employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 16 - Postemployment Benefits

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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the Center's surcharge obligation was $26,709.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $26,709, $26,675, and $41,781, respectively. For 2017, the entire amount has been reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System

Plan Description - The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined 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 partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can 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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 17 - Capital Leases

In fiscal year 2013, the Center entered into a capitalized lease for a mailing machine in the amount of $13,143. In fiscal year 2015, the Center entered into a capitalized lease for three copiers in the amount of $54,200. In fiscal year 2016, the Center entered into a capitalized lease for a copier in the amount of $17,750. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from business support services expenditures in the budgetary statements to principal debt service expenditures in the basic financial statements for the General Fund. Principal payments in fiscal year 2017 totaled $16,715.

Leased equipment that the Center still has in inventory was originally capitalized in the amount of $92,124, the present value of the minimum lease payments at the inception of the leases. The accumulated depreciation as of June 30, 2017 was $28,491, and the book value was $63,633.

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, 2017:

	Governmental Activities		
Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$15,567	$2,697	$18,264
2019	15,969	1,457	17,426
2020	6,344	411	6,755
2021	1,134	21	1,155
Present Value of Net Minimum Lease Payments	$39,014	$4,586	$43,600

Note 18 - Long-Term Obligations

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

	Principal Outstanding 06/30/16	Additions	Reductions	Principal Outstanding 06/30/17	Amounts Due within One Year
Governmental Activities:					
Capital Leases Payable	$55,729	$0	($16,715)	$39,014	$15,567
Certificates of Participation -					
$11,965,000, Various Interest Rate	9,100,000	0	(2,155,000)	6,945,000	2,220,000
Premium on Certificates of Participation	176,428	0	(50,408)	126,020	0
Total Certificates of Participation Liability	9,276,428	0	(2,205,408)	7,071,020	2,220,000
Net Pension Liability -					
STRS	19,370,221	3,868,146	0	23,238,367	0
SERS	4,394,397	1,142,616	0	5,537,013	0
Total Net Pension Liability	23,764,618	5,010,762	0	28,775,380	0
Compensated Absences	774,819	88,467	(40,251)	823,035	68,855
Total Governmental Activities Long-Term Liabilities	$33,871,594	$5,099,229	($2,262,374)	$36,708,449	$2,304,422

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

Annual base rent requirements to retire the certificates of participation outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	$6,945,000	$519,775	$7,464,775

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund and Adult Education, Vocational Education, Miscellaneous Federal Grants, and Food Service Special Revenue Funds. For additional information related to the net pension liability, see Note 15.

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

The overall debt margin of the Center as of June 30, 2017, was $335,998,276, with an unvoted debt margin of $3,733,748.

Note 19 - Jointly Governed Organizations and Insurance Purchasing Pool

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 2017, the amount paid to OMERESA from the Center was $37,409 for technology, internet access, financial accounting services, and educational management information. The Jefferson County Education Service Center serves as fiscal agent. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The ***Coalition of Rural and Appalachian Schools (CORAS)*** is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of no more than nineteen members not including ex-officio members. The Board shall include the Dean of the College of Education, and two additional members from Ohio University appointed by the Dean. There shall be one elected member from each of the eight multi-county regions. The eight elected members shall appoint eight additional members, one from each multi-county region. A County Region must have a minimum of five active public school district members to qualify for an elected and an appointed member on the Board. Elected and appointed members, other than those representing Ohio University, must be active school superintendents from a member school district. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Council. The Council exercises total control over the operation of CORAS including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Center's membership fee was $325 for fiscal year 2017. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at McCraken 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 $494 for fiscal year 2017.

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 2017, the Center made a payment of $2,000 to META for services. Financial information may be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program (GRP), a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Center's enrollment fee was $1,455 for calendar year 2017.

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 20 - Contingencies

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The 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, 2017 Foundation funding for the Center; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the Center.

Litigation

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

Note 21 - Set-Asides

The Center is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the 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, 2016	$0	$45,566
Current year offsets	(1,000,000)	0
Current year set-aside requirement	172,118	0
Qualifying disbursements	(177,781)	0
Total	($1,005,663)	$45,566
Set-aside reserve balance as of June 30, 2017	$0	$0

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

Note 22 - Significant Commitments

Encumbrances

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

Governmental Funds	
General Fund	$189,451
Adult Education Special Revenue Fund	35,332
Permanent Improvement Capital Projects Fund	4,204
Other Governmental Funds	228,556
Total All Funds	$457,543

Contractual Commitment

As of June 30, 2017, the Center had a contractual purchase commitment relating to a local funded project:

Contractor	Purchase Commitment	Amounts Paid as of 06/30/2017	Amounts Remaining on Contract
Stonhard Division Group, Inc.	$346,000	$245,000	$101,000

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 Four Fiscal Years (1) **

	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.07565180%	0.07701230%	0.07917300%	0.07917300%
Center's Proportionate Share of the Net Pension Liability	$5,537,013	$4,394,397	$4,006,901	$4,708,164
Center's Covered Payroll	$2,403,836	$2,282,214	$2,478,740	$2,047,137
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.34%	192.55%	161.65%	229.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of June 30th.

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 Four Fiscal Years (1) **

	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.06942418%	0.07008781%	0.07276065%	0.07276065%
Center's Proportionate Share of the Net Pension Liability	$23,238,367	$19,370,221	$17,697,908	$21,081,632
Center's Covered Payroll	$7,372,950	$7,274,393	$7,396,029	$7,710,177
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.18%	266.28%	239.29%	273.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of June 30th.

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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

	2017	2016	2015	2014
Contractually Required Contribution	$358,611	$336,537	$300,796	$343,553
Contributions in Relation to the Contractually Required Contribution	(358,611)	(336,537)	(300,796)	(343,553)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Center Covered Payroll	$2,561,507	$2,403,836	$2,282,214	$2,478,740
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$283,324	$276,366	$239,902	$254,282	$161,871	$172,571
(283,324)	(276,366)	(239,902)	(254,282)	(161,871)	(172,571)
$0	$0	$0	$0	$0	$0
$2,047,137	$2,054,764	$1,908,527	$1,878,005	$1,645,028	$1,757,347
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	2017	2016	2015	2014
Contractually Required Contribution	$1,083,215	$1,032,213	$1,018,415	$961,484
Contributions in Relation to the Contractually Required Contribution	(1,083,215)	(1,032,213)	(1,018,415)	(961,484)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Center Covered Payroll	$7,737,250	$7,372,950	$7,274,393	$7,396,029
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
$1,002,323	$967,387	$977,267	$973,248	$937,769	$914,655
(1,002,323)	(967,387)	(977,267)	(973,248)	(937,769)	(914,655)
$0	$0	$0	$0	$0	$0
$7,710,177	$7,441,438	$7,517,438	$7,486,523	$7,213,608	$7,035,808
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR *Pass-Through Grantor* **Program / Cluster Title**	**Federal CFDA Number**	**Pass-Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Receipts**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education:					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	2016/2017	$0	$25,035	$25,035
Cash Assistance:					
School Breakfast Program	10.553	2016/2017	0	45,474	45,474
National School Lunch Program	10.555	2016/2017	0	195,263	195,263
Cash Assistance Subtotal			0	240,737	240,737
Total Child Nutrition Cluster			0	265,772	265,772
Child Care and Adult Care Food Program	10.558	2016/2017	0	16,496	16,496
Total U.S. Department of Agriculture			0	282,268	282,268
INSTITUTE OF LIBRARY AND MUSEUM SERVICES					
Passed Through Ohio State Library Board:					
Grants to States	45.310	2017	0	34,670	11,381
Total Institute of Library and Museum Services			0	34,670	11,381
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education:					
Adult Education - Basic Grants to States	84.002	2016	0	62,828	22,463
		2017	0	218,841	269,997
Total Adult Education - Basic Grants to States			0	281,669	292,460
Career and Technical Education - Basic Grants to States	84.048	2016	0	149,824	45,878
		2017	0	526,064	569,014
Total Career and Technical Education - Basic Grants to States			0	675,888	614,892
Improving Teacher Quality State Grants	84.367	2017	0	0	2,646
Teacher Incentive Fund	84.374	2016	0	41,881	11,239
Direct from United States Department of Education:					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063	2016	0	719,364	719,364
Federal Direct Student Loans	84.268	2016	0	1,286,131	1,286,131
Total Student Financial Assistance Cluster			0	2,005,495	2,005,495
Total U.S. Department of Education			**0**	**3,004,933**	**2,926,732**
Total Receipts and Expenditures of Federal Awards			**$0**	**$3,321,871**	**$3,220,381**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS 2 CFR PART 200.510(b)(6) FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 11, 2017.

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*.

53 Johnson Road, The Plains, Ohio 45780-1231
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110
www.ohioauditor.gov

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Mid-East Career and Technology Centers', Muskingum County, Ohio (the Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

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

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

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017

MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

MID-EAST CAREER AND TECHNOLOGY CENTER

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 26, 2017