

METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY
REGULAR AUDIT
JULY 1, 2015 – JUNE 30, 2016





Dave Yost • Auditor of State

Board of Education
Metro Institute of Technology
1929 Kenny Road
Columbus, Ohio 43210

We have reviewed the *Independent Auditor's Report* of the Metro Institute of Technology, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Metro Institute of Technology is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 27, 2017

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**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY**

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Metro Institute of Technology
Franklin County
1929 Kenny Road
Columbus, Ohio 43210

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Metro Institute of Technology, Franklin County, Ohio (the School), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metro Institute of Technology, Franklin County as of June 30, 2016, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 on our consideration of the School'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 School's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

December 8, 2016
Newark, Ohio

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Metro Institute of Technology's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ending June 30, 2016. The intent of this discussion and analysis is to look at the School'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 School's financial performance. The School began accepting students and State Foundation revenue in July of 2015 and fiscal year 2016 was the first year of the School's operations. However, the School did receive grants prior to July 1, 2015.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- Net position at June 30, 2016 was \$222,482, including unrestricted net position of \$213,307. This represents a decrease of \$77,515 or 25.8% compared to the prior fiscal year's net position.
- The School had total revenues of \$806,880, including operating revenues of \$480,653 and non-operating revenues of \$326,227; these revenues supported operating expenses of \$884,395 during fiscal year 2016.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

Reporting the School Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2016?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-19 of this report.

The table below provides a summary of the School's net position at June 30, 2016. A comparative analysis will be provided in future fiscal years prior when financial information is available.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Net Position

	<u>2016</u>
<u>Assets</u>	
Current assets	\$ 324,240
Capital assets, net	<u>9,175</u>
Total assets	<u>333,415</u>
<u>Liabilities</u>	
Current liabilities	109,716
Long-term liabilities	<u>1,217</u>
Total liabilities	<u>110,933</u>
<u>Net position</u>	
Investment in capital assets	9,175
Unrestricted	<u>213,307</u>
Total net position	<u>\$ 222,482</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the School's assets exceeded liabilities by \$222,482. Of this total \$213,307 is unrestricted.

Assets

Current assets consist primarily of cash and cash equivalents and intergovernmental grants receivable. The School's only capital assets at June 30, 2016 are furniture, fixtures and equipment. Capital assets are used to provide services to the students and are not available for future spending, therefore the School's investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist of accounts and intergovernmental payables. Non-current liabilities reported at June 30, 2016 consist of a long-term intergovernmental payable.

The following table shows the change in net position for fiscal year 2016. A comparative analysis will be provided in future fiscal years prior when financial information is available.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Change in Net Position

	2016
<u>Operating revenues:</u>	
State Foundation	\$ 468,671
Tuition and fees	4,062
Sales and charges for services	3,608
Miscellaneous	4,312
Total operating revenues	480,653
<u>Operating expenses:</u>	
Purchased services	799,354
Materials and supplies	79,186
Other	3,970
Depreciation	1,885
Total operating expenses	884,395
<u>Non-operating revenues:</u>	
State and local grants	198,248
Interest earnings	22
Contributions and donations	127,957
Total non-operating revenues	326,227
Change in net position	(77,515)
Net position at the beginning of the fiscal year	299,997
Net position at the end of the fiscal year	\$ 222,482

Fiscal year 2016 was the School's first year of operations. Prior to July 1, 2015, the School received grants of \$300,000, while incurring costs (bank fees) of \$3.

As the preceding table illustrates, the School's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The School's FTE was 70 in fiscal year 2016. Foundation revenue accounted for 97.5% of operating revenues and 58.1% of all revenues for fiscal year 2016. The only other significant revenue sources in 2016 were State and local grants and contributions and donations, which are reported as non-operating revenues.

The main component of expenses for the School is purchased services, which accounted for 90.4% of all expenses in fiscal year 2016. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with the Educational Service Center Council of Governments. Refer to Note 8 in the notes to the basic financial statements for detail regarding the components of the School's purchased services expenses.

Capital Assets

At June 30, 2016, the School's only capital assets are furniture, fixtures and equipment in the amount of \$9,175 (net of accumulated depreciation). Additions to capital assets in fiscal year 2016 were \$11,060 and the School recognized \$1,885 in depreciation expense for the year. Refer to Note 6 in the notes to the basic financial statements for more detail on the School's capital assets.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Debt Administration

The School has no debt outstanding at June 30, 2016.

Current Issues

The School receives approximately 97.5% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the School is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The School's allocation for fiscal year 2017 is approximately \$1.28 million.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tammy Rizzo, Treasurer, 2080 Citygate Drive, Columbus, Ohio 43219.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 319,683
Receivables:	
Accounts.	526
Intergovernmental	3,224
Prepayments.	807
Total current assets	324,240
Non-current assets:	
Depreciable capital assets, net.	9,175
Total assets.	333,415
 Liabilities:	
Current liabilities:	
Accounts payable	50,021
Intergovernmental payable.	59,695
Total current liabilities	109,716
Non-current liabilities:	
Intergovernmental payable.	1,217
Total liabilities	110,933
 Net position:	
Investment in capital assets	9,175
Unrestricted	213,307
Total net position	\$ 222,482

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
State Foundation	\$ 468,671
Tuition and fees	4,062
Sales and charges for services.	3,608
Miscellaneous	4,312
Total operating revenues.	<u>480,653</u>
Operating expenses:	
Purchased services.	799,354
Materials and supplies.	79,186
Other.	3,970
Depreciation.	1,885
Total operating expenses.	<u>884,395</u>
Operating loss	<u>(403,742)</u>
Non-operating revenues:	
State and local grants.	198,248
Interest earnings	22
Contributions and donations.	127,957
Total non-operating revenues	<u>326,227</u>
Change in net position	(77,515)
Net position at beginning of fiscal year.	<u>299,997</u>
Net position at end of fiscal year	<u>\$ 222,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from State Foundation	\$ 476,855
Cash received from tuition and fees	3,748
Cash received from sales and charges for services.	3,396
Cash received from miscellaneous sources.	4,312
Cash payments for purchased services	(568,748)
Cash payments for materials and supplies	(79,186)
Cash payments for other expenses	(4,727)
	(164,350)
Cash flows from noncapital financing activities:	
Cash received from State and local grants	195,074
	195,074
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(11,060)
	(11,060)
Cash flows from investing activities:	
Interest received	22
	22
Net increase in cash and cash equivalents	19,686
Cash and cash equivalents at beginning of fiscal year.	299,997
Cash and cash equivalents at end of fiscal year	\$ 319,683
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (403,742)
Adjustments:	
Depreciation	1,885
Rental payments made on School's behalf	127,957
Changes in assets and liabilities:	
Increase in accounts receivable.	(526)
Increase in intergovernmental receivable.	(50)
Increase in prepayments	(807)
Increase in accounts payable	50,021
Increase in intergovernmental payable	60,912
	(164,350)
Net cash used in operating activities.	\$ (164,350)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Non-Cash Transactions:

The School was the beneficiary of rental payments paid on the School's behalf of \$127,957.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Metro Institute of Technology (the “School”) is a legally separate nonprofit corporation served by an appointed ten-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. The fiscal year ended June 30, 2016 was the first year of operations for the School. The School is a small and intellectually vibrant learning community designed to serve students who want a personalized learning experience that prepares them for a connected world where math, science and technology are vitally important. The School is a 5-year career tech program that offers a rigorous curriculum, while enhancing the quantity and quality of 21st century leadership skills. All students have the opportunity to earn stackable credentials, including an associate’s degree within each of the following career pathways: Computer Science, Engineering Technologies/Manufacturing, Medical Laboratory Technology, and more. The School offers education for children in the ninth through twelfth grade.

The School has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The School’s Governing Board advises and assists the school staff on curriculum, school evaluation and research, professional development, funding and community relations. Ten members serve on the Governing Board, including three representatives from The Ohio State University, three from Battelle Memorial Institute, two from Columbus City Schools, one from Franklin University and one from the Educational Council Foundation Board. The School’s executive director, principal and staff oversee the day-to-day operations of the School.

The School has entered into a service agreement with the Educational Service Center Council of Governments (See Note 10).

Reporting Entity:

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

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization’s Governing Board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization’s resources; or (3) the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading.

Based upon the application of these criteria, the School has no component units. The basic financial statements of the reporting entity include only those of the School (the primary government).

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the School to prepare a five-year projection.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School is pooled in a central bank account. Monies for the School are maintained in this account or temporarily used to purchase short-term investments.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For presentation on the financial statements, 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 School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The School had no investments during the fiscal year ended June 30, 2016.

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

The School's capital assets during fiscal year 2016 consisted of furniture, fixtures and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500. The School does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method over useful lives ranging from 3-20 years.

H. Net Position

Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Intergovernmental Revenue

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

J. Accrued Liabilities and Long-Term Obligations

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

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the school. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

M. 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 Directors and that are either unusual in nature or infrequent in occurrence. The School had no extraordinary or special items during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2016, the School has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

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

Active monies are public deposits determined to be necessary to meet current demands upon the School treasury. Active monies must be maintained either as cash in the School 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 Directors 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 five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

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

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

At June 30, 2016, the carrying amount of all School deposits was \$319,683. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2016, \$76,244 of the School's bank balance of \$326,244 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, consist of accounts (tuition and fees for services provided and other miscellaneous receipts) and intergovernmental grants. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The intergovernmental receivable of \$3,224 is comprised as follows:

Intergovernmental receivables:	
USDA Nutrition Program	\$ 3,174
State Foundation Program	<u>50</u>
Total	<u>\$ 3,224</u>

NOTE 6 - CAPITAL ASSETS

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

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ -	\$ 11,060	\$ -	\$ 11,060
Total capital assets being depreciated	<u>-</u>	<u>11,060</u>	<u>-</u>	<u>11,060</u>
Less: accumulated depreciation				
Furniture, fixtures and equipment	-	(1,885)	-	(1,885)
Total accumulated depreciation	<u>-</u>	<u>(1,885)</u>	<u>-</u>	<u>(1,885)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 9,175</u>	<u>\$ -</u>	<u>\$ 9,175</u>

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - INTERGOVERNMENTAL PAYABLE

A. Compensated Absences

The School's employees are employed by the Educational Service Center Council of Governments (ESCCOG). Sick and vacation leave payouts for these employees are paid by the ESCCOG and subsequently reimbursed by the School. The intergovernmental payable reported as a long-term obligation represents the sick and vacation leave balances for the School's employees in accordance with GASB Statement No. 16. Below is the net change in this liability for fiscal year 2016:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Intergovernmental payable	\$ -	\$ 1,217	\$ -	\$ 1,217	\$ -

B. Other Intergovernmental Payables

The following is a summary of other intergovernmental payables incurred by the School for fiscal year 2016:

Description	Amount
Payable to ESCCOG	\$ 51,402
Year-End FTE Adjustment Payable to the Ohio Department of Education	8,234
Miscellaneous Payables	59
Total	\$ 59,695

NOTE 8 - PURCHASED SERVICES

For fiscal year ended June 30, 2016, purchased services expenses were as follows:

Professional and technical services *	\$ 574,212
Property services	177,957
Travel mileage and meetings	230
Communications	14,582
Contracted craft or trade	21,888
Pupil transportation services	1,599
Other	8,886
Total	\$ 799,354

* Professional and technical services includes \$447,437 in salary and benefit related expenses specific to School employees who are employed by the Educational Service Center Council of Governments.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - RISK MANAGEMENT

The School is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2016, the school had general liability, property and auto insurance through McGowan Governmental Underwriters. Settled claims have not exceeded this commercial coverage and there has been no significant reduction in coverage during fiscal year 2016.

NOTE 10 - SERVICE AGREEMENT

The School entered into a service contract with the Educational Service Center Council of Governments (ESCCOG) for fiscal year 2016 to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services.

The ESCCOG shall perform the following services for the School:

- Month End Accounting
- Accounts Payable/Receivable
- Payroll
- Accounting/Fiscal Support/Tax Reporting/General Office Support
- EMIS/Recordkeeping

NOTE 11 - CONTINGENCIES

C. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2016.

D. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. As a result of the review after fiscal year-end, the School owed a net amount of \$8,184 to ODE, which is reported on the financial statement as an intergovernmental receivable of \$50 and an intergovernmental payable of \$8,234. These amounts will be received/paid by increasing/decreasing fiscal year 2017 Foundation revenues.

E. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2016.

**METRO INSTITUTE OF TECHNOLOGY
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - OPERATING LEASE

The School has entered into a lease agreement to rent a building from Franklin University. The initial lease term is for a period of four years, from August 1, 2015 through July 31, 2019. The School retains the option to extend the lease for two, consecutively-occurring four-year renewal terms. Payments on the lease in fiscal year 2016 totaled \$177,957.

The following is a schedule of the future minimum payments required in the initial lease term:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 236,667
2018	267,500
2019	288,333
2020	<u>24,167</u>
Total future minimum payments	<u>\$ 816,667</u>

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

Metro Institute of Technology
Franklin County
1929 Kenny Road
Columbus, Ohio 43210

To the Board of Directors:

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 Metro Institute of Technology, Franklin County, (the School) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School'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 School'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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

December 8, 2016
Newark, Ohio



INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Metro Institute of Technology
Franklin County
1929 Kenny Road
Columbus, Ohio 43210

To the Board of Directors:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Metro Institute of Technology (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School adopted its anti-harassment policy on February 26, 2016 and includes prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act”.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shannon & Snow, Inc.

December 8, 2016
Newark, Ohio

Wilson, Shannon & Snow, Inc.

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Dave Yost • Auditor of State

METRO INSTITUTE OF TECHNOLOGY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2017**