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Mount Auburn International Academy
Hamilton County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015

CPAs and business consultants
www.reacpa.com

Dave Yost • Auditor of State

Board of Directors
Mount Auburn International Academy
244 Southern Avenue
Cincinnati, Ohio 45219

We have reviewed the *Independent Auditor's Report* of the Mount Auburn International Academy, Hamilton County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid under Audit:

For the 2014-2015 academic year Althea Hill was approved to be paid $885.96 per pay for 21 pays and an hourly rate of $18.08 for hours worked over 40 hours and also received pay for overtime hours.

Total paid per contract and overtime	$20,677.19
Amount per contract	(18,605.16)
Amount of overtime per time cards	(235.04)
Amount of overpayment	($1,836.99)

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding For Recovery for public monies illegally expended is hereby issued against Althea Hill in the amount of $1,836 and in favor of the Mount Auburn International Academy's Food Service Fund.

On December 31, 2015, Althea Hill repaid the Mount Auburn International Academy's Food Service Fund in the amount of $1,836.

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 Mount Auburn International Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 8, 2016

Mount Auburn International Academy
Hamilton County, Ohio

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December 30, 2015

To the Board of Directors
Mount Auburn International Academy
Hamilton County, Ohio
244 Southern Avenue
Cincinnati, OH 45219

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Mount Auburn International Academy, Hamilton County, Ohio, (the "School") as of and for the year ended June 30, 2015, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mount Auburn International Academy, Hamilton County, Ohio as of June 30, 2015, and the changes in financial position and the cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the School restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*." Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As disclosed in Note 11 to the financial statements, the School has suffered recurring losses from operations and has a net position deficit of $11,480,462 that raises substantial doubt about its ability to continue as a going concern. This deficit net position includes the effect of the net pension liability and related accruals totaling $5,640,284. Note 11 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Schedule of the School's Proportionate Share of the Net Pension Liability,* and *Schedule of the School's Contributions* on pages 5–9, 30, and 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The *Schedule of Expenditures of Federal Awards,* as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Rea & Associates, Inc.

Dublin, Ohio

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The discussion and analysis of the Mount Auburn International Academy Community's (The School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net position decreased ($319,573) from the beginning of the year.
- Total assets increased $184,524 from the beginning of the year. This is mainly due to increases in cash balances and intergovernmental receivables.
- Total liabilities decreased $318,820 from the beginning of the year. This is mainly due to the decrease in the Net Pension Liability offset by an increase in management company payables.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Statement of Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2015? This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net position for fiscal year 2015.

(Table 1)
Net Position

	2015	Restated 2014
Assets		
Current Assets	$ 565,670	$ 374,663
Capital Assets, Net	10,881	17,364
Total Assets	576,551	392,027
Deferred Outflows of Resources - Pension	411,639	318,480
Liabilities		
Current Liabilities	711,287	392,027
Non-Current Liabilities	10,841,289	11,479,369
Total Liabilities	11,552,576	11,871,396
Deferred Inflows of Resources – Pension	916,076	-
Net Position		
Investment in Capital Assets	10,881	17,364
Unrestricted	(11,491,343)	(11,178,253)
Total Net Position	($11,480,462)	($11,160,889)

During 2015, the School adopted GASB Statement 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School'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.

Under the new standards required by GASB 68, the net pension liability equals the School'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 School 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 School'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 of resources.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from ($5,385,868) to ($11,160,889).

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

(Table 2)
Change in Net Position

	2015	2014
Operating Revenues		
Foundation Payments	$4,214,348	$3,199,962
Poverty Based Assistance	0	200,219
Other	38,609	319,335
Non-Operating Revenues		
Federal and State Grants	685,726	593,682
Interest	0	238
Federal and State Meal Subsidies	367,353	284,586
Total Revenues	5,306,036	4,598,022
Operating Expenses		
Salaries	2,609,404	2,418,919
Fringe Benefits	565,157	650,031
Purchased Services	1,672,292	1,444,842
Materials and Supplies	464,649	525,536
Cost of Sales-Lunchroom	239,963	214,200
Depreciation	6,483	6,483
Other Expenses	67,661	172,185
Total Expenses	5,625,609	5,432,196
Change in Net Position	($319,573)	($834,174)

Total Revenues increased by $708,014 mainly due to an increase in Foundation payments. Total expenses increased by $193,413 primarily due to the increased costs of Salaries, Benefits, and Purchased Services.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $318,480 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows.

The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $229,133. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$ 5,625,609
Pension expense under GASB 68	(229,133)
2015 contractually required contribution	363,870
Adjusted 2015 program expenses	5,760,346
Total 2014 program expenses under GASB 27	5,432,196
Increase in program expenses not related pension	$ 328,150

Capital Assets

At the end of fiscal year 2015 the School had $10,881 (net of depreciation), invested in furniture, fixtures, and equipment, which represented a decrease of $6,483 from 2014. (See Note 5 for further information.)

Current Financial Issues

The Mount Auburn International Academy was formed in 2008. Hence 2014-2015 is the seventh year of operation. During the 2014-2015 school year there were approximately 580 students enrolled in the School. The School receives its finances mostly from state aide. Base per pupil aide for fiscal year 2015 amounted to $5,800 per student.

At June 30, 2015, the School had a net deficiency of $11,480,462 meaning that liabilities and deferred inflows of resources were in excess of assets and deferred outflows of resources by this amount.

In order to address the net deficiency, the School's Education Provider shall, in its sole discretion, cover any deficits of the School in any year in which there is a deficit as long as the deficit is not due to a unilateral decision by the Board to expend additional funds. In the event that the School, in subsequent years, makes a profit, Education Provider may recover any amounts expended to cover previous deficits. This provision shall be effective as of July 1, 2008, and shall apply to all advances (either direct or indirect) previously made to the Board to cover deficits.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's 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 information contact Anita E. Ruffin, MBA, Treasurer/Business Manager at Mount Auburn International Academy, 244 Southern Ave, Cincinnati, Ohio 45219.

Mount Auburn International Academy
Hamilton County
Statement of Net Position
As of June 30, 2015

Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$	194,825
Accounts Receivable		13,810
Intergovernmental Receivables (Non operating activities)		357,035
Total Current Assets		565,670
Non-Current Assets:		
Capital Assets:		
Depreciable Capital Assets, Net		10,881
Total Non-Current Assets		10,881
Total Assets		576,551
Deferred Outflows of Resources		
Pension		411,639
Total Deferred Outflows of Resources		411,639
Liabilities		
Current Liabilities:		
Accounts Payable		75,510
Accrued Wages and Benefits		269,020
Management Company Payable		366,757
Total Current Liabilities		711,287
Non-Current Liabilities		
Management Company Payable		5,705,442
Net Pension Liability		5,135,847
Total Non-Current Liabilities		10,841,289
Total Liabilities		11,552,576
Deferred Inflows of Resources		
Pension		916,076
Total Deferred Inflows of Resources		916,076
Net Position		
Investment in Capital Assets:		10,881
Unrestricted-Accumulated Surplus/(Deficit)		(11,491,343)
Total Net Position	$	(11,480,462)

See accompanying notes to the basic financial statements

Mount Auburn International Academy
Hamilton County
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

Operating Revenues		
Foundation Payments	$	4,214,348
Other Revenues		38,609
Total Operating Revenues		4,252,957
Operating Expenses		
Salaries		2,609,404
Fringe Benefits and Payroll Taxes		565,157
Purchased Services		1,672,292
Materials and Supplies		464,649
Cost of Sales - Lunchroom		239,963
Depreciation		6,483
Other		67,661
Total Operating Expenses		5,625,609
Operating Loss		(1,372,652)
Non-Operating Revenues and (Expenses)		
Other Federal and State Grants		685,726
Federal and State Meal Subsidies		367,353
Total Non-Operating Revenues and Expenses		1,053,079
Change in Net Position		(319,573)
Net Position Beginning of Year (Restated - See Note 2.L)		(11,160,889)
Net Position End of Year	$	(11,480,462)

See accompanying notes to the basic financial statements

Mount Auburn International Academy
Hamilton County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Others	$ 38,609
Cash Received from Foundation Payments	4,214,349
Cash Payments to Suppliers for Goods and Services	(1,778,201)
Cash Payments to Employees for Services	(2,577,081)
Cash Payments for Employee Benefits	(706,089)
Cash Payments to Others	(67,469)
Net Cash Used for Operating Activities	(875,882)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received (FOOD SERVICE)	385,779
Operating Grants Received (FEDERAL AND STATE GRANTS)	647,195
Net Cash Provided by Noncapital Financing Activities	1,032,974
Net Increase (Decrease) in Cash and Cash Equivalents	157,092
Cash and Cash Equivalents at Beginning of Year	37,733
Cash and Cash Equivalents at End of Year	$ 194,825

Mount Auburn International Academy
Hamilton County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015
(continued)

Reconciliation of Operating Loss to Net	
Cash Used for Operating Activities:	
Operating Loss	($1,372,652)
Adjustments to Reconcile Operating	
Loss to Net Cash Used for Operating Activities	
Depreciation	6,483
Changes in Assets and Liabilities:	
Decrease / (Increase) in Accounts Receivable	(13,810)
Decrease/ (Increase) in Deferred Outflows	(93,159)
(Decrease) / Increase in Accounts Payable	19,870
(Decrease) / Increase in Accrued Wages and Benefits	35,284
(Decrease) / Increase in Management Company Payable	583,680
(Decrease) / Increase in Net Pension Liability	(957,654)
(Decrease) / Increase in Deferred Inflows	916,076
Total Adjustments	496,770
Net Cash Used for Operating Activities	($875,882)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Mount Auburn International Academy, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades Kindergarten through Twelfth. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Mount Auburn International Academy Community School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the Board of Trustees of the University of Toledo which is now referred to as Ohio Council of Community Schools (the Sponsor) for a period of five years commencing July 1, 2008. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The contract was renewed on June 17, 2013 for another five years effective July 1, 2013.

The School operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's instructional/support facility staffed by 38 certificated full time teaching personnel who provide services to 580 students.

The School contracts with Cincinnati Education Management LLC as the Education Provider. The Education Provider is not a division, subsidiary, or part of the Board, and functions as an independent contractor to the Board. The responsibilities of the Education Provider include: hire the School Director, with consultation from the Board; hire administrative staff as required; manage and operate the school; secure and maintain insurance; and educate the children enrolled in the School. The Education Provider is responsible and accountable to the Board for the administration, operation and performance of the School in accordance with the Charter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mount Auburn International Academy Community School have been prepared in conformity with generally accepted accounting principles (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 more significant of the School's 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 revenue, expenses and changes in net position, and a statement of cash flows. The School uses enterprise accounting to monitor its financial records. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

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.

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.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. 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 fiscal year when use is first 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.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor requires the school to follow Ohio Revised Code 5705.39.1 and prepare a five year projection. However, no budgetary information is presented in the financial statements.

E. Cash Deposits

Total cash for the School is presented as "equity in pooled cash and cash equivalents" on the accompanying statement of net position.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets 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:

Buildings and Building Improvements 1 - 50 years
Furniture, Fixtures and Equipment 10 - 20 years
Vehicles 3 - 10 years

G. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net position invested in capital assets consist 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.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the state and sales for food service. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. 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.

J. 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 represent 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 School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

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 as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. For the School, deferred inflows of resources are reported on the Statement of Net Position for Pension. The deferred inflows of resources related to pension are explained in Note 7.

K. 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 positon have been determined on the same basis as they are reported by the pension systems. 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.

L. Change in Accounting Principles and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71,“Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. GASB 71 eliminates the source of potential understatement of restated beginning net position and expense in the first year of GASB 68.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	($5,385,868)
Adjustments:	
Net Pension Liability	(6,093,501)
Deferred Outflow - Payments Subsequent to Measurement Date	318,480
Restated Net Position, July 1, 2014	($11,160,889)

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

3. DEPOSITS

At fiscal year end June 30, 2015, the carrying amount of The School’s deposits totaled $194,825 and its bank balance was $389,583. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosure,” as of June 30, 2015, $138,752 of the bank balance was exposed to custodial risk as discussed below, while $250,831 was covered by the Federal Depository Insurance Corporation.

Custodial risk is the risk that in the event of bank failure, The School will not be able to recover the deposits. All bank 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 the 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 school.

4. RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental receivables and account receivables. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

Federal Entitlement Grants	$ 343,509
Federal Lunch	13,526
Total All Intergovernmental Receivables	$ 357,035

5. CAPITAL ASSETS

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

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital Assets being Depreciated				
Equipment, Furniture, Fixtures	$61,823	$ -	$ -	$61,823
Total Capital Assets, Being Depreciated	61,823	-	-	61,823
Accumulated Depreciation				
Equipment, Furniture, Fixtures	(44,459)	(6,483)	-	(50,942)
Total Accumulated Depreciation	(44,459)	(6,483)	-	(50,942)
	$17,364	$(6,483)	$ -	$10,881

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School contracted with Hanover Insurance for general liability, property insurance, educational errors and omissions insurance. Settled claims have not exceeded this commercial coverage. During the past three years there was no significant reduction in coverage amounts from the prior year.

B. Workers Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

7. 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 School'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 School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School 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 accrued wages and benefits payable on the accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 year 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 School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was $124,173 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contribution to STRS was $239,697 for fiscal year 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School'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:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 3,634,771	$ 1,501,076	$ 5,135,847
Proportion of the Net Pension Liability	0.01494348%	0.02966000%	
Pension Expense	$ 141,590	$ 87,543	$ 229,133

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 34,993	$ 12,776	$ 47,769
School contributions subsequent to the measurement date	239,697	124,173	363,870
Total Deferred Outflows of Resources	$ 274,690	$ 136,949	$ 411,639
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 672,447	$ 243,629	$ 916,076

$363,870 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	$ (159,364)	$ (57,713)	$ (217,077)
2017	(159,364)	(57,713)	(217,077)
2018	(159,364)	(57,713)	(217,077)
2019	(159,362)	(57,714)	(217,076)
	$ (637,454)	$ (230,853)	$ (868,307)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

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

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$ 2,141,589	$ 1,501,076	$ 962,349

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School'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 School'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%)
School's proportionate share of the net pension liability	$ 5,203,572	$ 3,634,771	$ 2,308,094

8. Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description – The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources**.**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were $14,529, $8,615 and $8,127, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $18,530 and $14,596, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

9. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Directors.

Vacation Leave: Calendar year employees who are regularly scheduled to work 25 or more hours per week are eligible for vacation leave. Teachers or employees following the academic year calendar are not eligible for vacation leave. Unused accrued vacation leave days may be carried forward into the next year at the rate of one-half of the employee's annual accrual rate. The vacation carried forward is determined as of August 31 each year. Employees who have one year of service or more have access to 50% of their annual vacation accrual at September 1.

If an employee's employment terminates, only the days fully earned at the time of termination would be accrued. No cash out of vacation accrued from year to year unless specifically granted through approval by the President. Accrued vacation leave in excess of amount allowed to be carried forward at September 1 is lost. Upon resignation and receipt of at least two weeks' notice, the Employer will pay in a lump sum payment an amount equal to the individual's daily rate times the number of unused accrued vacation leave days as of the termination date.

Sick Leave: All staff regularly scheduled to work 25 or more hours per week are eligible for sick leave. Teachers and academic year staff accrue one day per month September through May (up to 9 days accrued in an academic year). Calendar year staff accrues one day per month. Maximum days that can be accrued are 120 days. Accrual ceases until balance falls below maximum days. Sick leave is a privilege and is not to be used for any purposes other than those identified in the sick leave policy. Sick leave is never converted into cash payments.

B. Insurance Benefits

The School provides life, dental and medical/surgical benefits to most employees through Anthem Blue Cross/Blue Shield, Delta Dental and Sun Life.

10. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grants agreement is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. 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, 2015.

B. Full-Time Equivalent

The School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for schools; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

11. GOING CONCERN and MANAGEMENT'S PLAN

At June 30, 2015, the School had a net deficiency of $11,480,462, meaning that liabilities and deferred inflows were in excess of assets and deferred outflows by this amount. Management feels that much of this deficiency is the result of the Net Pension Liability as per GASB 68 and lower student enrollment than anticipated. Further, Management anticipates growth in student enrollment which will in turn increase future revenues in excess of future costs. Any excess revenue will be used by the School to address its liabilities.

12. PURCHASED SERVICES

Purchased services were composed of the following:

Utilities	$122,668
Rents	550,000
Sponsor Oversight Fees	124,870
Contract Services	309,506
License Fees	242,249
Management Fees	322,999
Total:	$ 1,672,292

13. OPERATING LEASE

During the year ended June 30, 2014, the School entered into a lease agreement for classroom facilities and offices for a period of five years. The lease also grants the School an automatic 5 year renewal, upon the renewal of the School's charter. The lease payments are $ 45,833 a month payable in monthly installments. Payments totaled $ 550,000 for fiscal year 2015.

The following is a schedule of the future minimum lease payments required under the operating lease as of June 30, 2015.

Fiscal Year Ending June 30th	
2016	$ 550,000
2017	$ 550,000
2018	$ 550,000

14. SPONSOR AND MANAGEMENT CONTRACTS

A. Sponsor

The School contracted with Ohio Council of Community Schools (the appointed designee of the Board of Trustees of the University of Toledo) as its sponsor to provide oversight and guidance as required by law. Sponsorship fees are calculated as three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2015 the total sponsorship fees paid totaled $124,870. The School renewed the contract with Ohio Council of Community Schools for a term of five years commencing on July 1, 2013 through June 30, 2018.

B. Management Company

The School contracts with Cincinnati Education Management LLC as the Education Provider for the purpose of providing managerial, administrative and educational services. Under the current agreement which is effective through June 30, 2018, Cincinnati Education Management LLC is paid management and license fees of 8% and 6% respectively based on the State funds received by the School from the State of Ohio less the Sponsorship fee. For the fiscal year ending June 30, 2015 the total amount paid by the school for license and management fees was $565,248 and is included in Purchased Services on the Statement of Revenues, Expenses and Change in Net Position.

The school owes the management company $6,072,199 of which $5,705,442 is a long term liability.

Mount Auburn International Aacdemy
Hamilton County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2014	2013
State Teachers Retirement System (STRS)		
School's proportion of the net pension liability (asset)	0.01494348%	0.01494348%
School's proportionate share of the net pension liability (asset)	$ 3,634,771	$ 4,329,716
School's covered-employee payroll	$ 1,531,393	$ 1,571,892
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	237.35%	275.45%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
School Employees Retirement System (SERS)		
School's proportion of the net pension liability (asset)	0.02966000%	0.02966000%
School's proportionate share of the net pension liability (asset)	$ 1,501,076	$ 1,763,785
School's covered-employee payroll	$ 861,464	$ 931,221
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.25%	189.41%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Mount Auburn International Aacdemy
Hamilton County, Ohio
Required Supplementary Information
Schedule of the School Contributions
Last Six Fiscal Years (1)

	2015	2014	2013	2012	2011	2010
State Teachers Retirement System (STRS)						
Contractually Required Contribution	$ 239,697	$ 199,081	$ 204,346	$ 231,041	$ 225,286	$ 208,304
Contributions in Relation to the Contractually Required Contribution	(239,697)	(199,081)	(204,346)	(231,041)	(225,286)	(208,304)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's covered-employee payroll	$ 1,712,121	$ 1,531,393	$ 1,571,892	$ 1,777,238	$ 1,732,969	$ 1,602,338
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)						
Contractually required contribution	$ 124,173	$ 119,399	$ 128,881	$ 125,572	$ 119,963	$ 85,511
Contributions in relation to the contractually required contribution	(124,173)	(119,399)	(128,881)	(125,572)	(119,963)	(85,511)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's covered-employee payroll	$ 942,132	$ 861,464	$ 931,221	$ 933,621	$ 954,360	$ 631,544
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

(1) - Information prior to 2010 is not available.

December 30, 2015

To the Board of Directors
Mount Auburn International Academy
Hamilton County, Ohio
244 Southern Avenue
Cincinnati, OH 45219

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mount Auburn International Academy, Hamilton County, Ohio (the "School") as of and for the year ended June 30, 2015, 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 30, 2015, in which we noted the School restated their net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*" and the School has suffered recurring losses from operations and has a net position deficiency of $11,460,462, including effect of net pension liability and related accruals totaling $5,640,284, that raises substantial doubt about its ability to continue as a going concern.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Dublin, Ohio

Rea & associates a brighter way

December 30, 2015

To the Board of Directors
Mount Auburn International Academy
Hamilton County, Ohio
244 Southern Avenue
Cincinnati, OH 45219

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133

Report on Compliance for Each Major Federal Program

We have audited the Mount Auburn International Academy's, Hamilton County, Ohio (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Dublin, Ohio

MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY, OHIO
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Agriculture			
Passed Through the Ohio Department of Education			
Children Nutrition Cluster:			
School Breakfast Program	10.553	$ 97,487	$ 97,487
National School Lunch Program	10.555	277,289	277,289
Total Nutrition Cluster		374,776	374,776
Total U.S. Department of Agriculture		374,776	374,776
U.S. Department of Education			
Passed Through the Ohio Department of Education			
Special Education Grants to States	84.027	85,314	89,847
Title I - School Improvement	84.010	25,962	34,578
Title I	84.010	527,883	462,361
Total Title I		553,845	496,938
Title II-A	84.367	8,036	67
Total U.S. Department of Education		647,195	586,852
Total Federal Assistance		$ 1,021,971	$ 961,629

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

MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY, OHIO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the School's federal grant activity and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - CHILD NUTRITION CLUSTER

Federal money is commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

MOUNT AUBURN INTERNATIONAL ACADEMY
HAMILTON COUNTY, OHIO

Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies 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 Section .510?	No
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster: School Breakfast Program National School Lunch Program	 CFDA # 10.553 CFDA # 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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MT. AUBURN INTERNATIONAL ACADEMY

HAMILTON 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
MAY 10, 2016

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