WASHINGTON PARK COMMUNITY SCHOOL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

WASHINGTON PARK COMMUNITY SCHOOL
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington Park Community School
Cuyahoga County, Ohio
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44106

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Park Community School, Cuyahoga County, Ohio (the School), as of and for the years ended June 30, 2015 and June 30, 2014, 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Park Community School, Cuyahoga County as of June 30, 2015 and June 30, 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2L to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

July 22, 2016

The discussion and analysis of Washington Park Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal years ended June 30, 2015 and 2014. 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 the Basic Financial Statements to enhance their understanding of the School's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. Due to the comparative presentation within the basic financial statements, a comparison analysis between fiscal year 2014 and fiscal year 2013 is also required.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased $176,366, which represents a 16 percent increase from 2014.

- Capital assets decreased $30,806 during fiscal year 2015 from depreciation expense.

Using this Annual Financial Report

This annual report consists of three parts, the Management's Discussion and Analysis, the Basic Financial Statements and the Notes to the Basic Financial 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.

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 fiscal year 2015 and 2014?" The Statement of Net Position includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Statement of Net Position

The following schedule provides a summary of the School's Statement of Net Position for fiscal years ended June 30, 2015, 2014 and 2013:

	2015	Restated 2014	2013
Assets			
Current assets:			
Equity in pooled cash and cash equivalents	$ 1,135,123	$ 1,000,492	$ 1,279,109
Due from other governments	98,435	81,396	67,477
Total current assets	1,233,558	1,081,888	1,346,586
Noncurrent assets:			
Capital assets, not depreciated	90,929	90,929	0
Depreciable capital assets, net	491,957	522,763	175,804
Total noncurrent assets	582,886	613,692	175,804
Total assets	1,816,444	1,695,580	1,522,390
Deferred outflows of resources			
Pension	183,068	151,553	0
Liabilities			
Current liabilities:			
Accounts payable	11,154	765	1,600
Accrued wages and benefits	165,656	179,885	153,551
Due within one year	4,722	4,022	3,698
Total current liabilities	181,532	184,672	158,849
Noncurrent liabilities:			
Due in more than one year	6,859	11,233	15,255
Net pension liability	2,315,209	2,752,543	0
Total current liabilities	2,322,068	2,763,776	15,255
Total liabilities	2,503,600	2,948,448	174,104
Deferred inflows of resources			
Pension	420,861	0	0
Net position			
Net investment in capital assets	571,305	598,437	156,851
Unrestricted	(1,496,254)	(1,699,752)	1,191,435
Total net position	$ (924,949)	$ (1,101,315)	$ 1,348,286

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 $1,499,675 to a deficit of $1,101,315.

In fiscal year 2015, net position increased $176,366. Cash increased $134,631 partially due to the continued savings in rent expense and receipts consistently outpacing expenditures. The change in net pension liability was a decrease of $437,334 while deferred inflows related to pension increased $420,861 due to the implementation of GASB 68. In fiscal year 2014, net position increased $151,389 which can be attributed to a reduction in purchased services for no longer paying rent for use of a building. Cash decreased $278,617 and capital assets increased $437,888 because the School purchased a building. The increase in net investment in capital assets and decrease in unrestricted net position is also a result of the School's purchase of a building. The $57,872 increase in net position in fiscal year 2013 was primarily from the increase in federal and State subsidies.

Statement of Revenues, Expenses and Changes in Net Position

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, 2014 and 2013.

	2015	2014	2013
Operating revenues			
Foundation payments	$ 1,650,481	$ 1,666,428	$ 1,673,815
State distributed casino revenue	11,202	11,429	4,852
Charges for services	3,746	3,847	0
Other operating revenues	17,918	9,586	6,471
Total operating revenues	1,683,347	1,691,290	1,685,138
Operating expenses			
Salaries	1,014,408	1,069,863	1,072,859
Fringe benefits	265,450	300,946	310,030
Purchased services	327,170	250,413	372,543
Materials and supplies	173,117	192,647	169,832
Depreciation	30,806	33,317	24,833
Other operating expenses	62,717	55,743	66,402
Total operating expenses	1,873,668	1,902,929	2,016,499
Operating income (loss)	(190,321)	(211,639)	(331,361)
Non-operating revenues (expenses)			
Federal and State subsidies	350,529	345,291	387,294
Rent	16,091	17,646	0
Gain on disposal of capital assets	0	0	1,798
Investment income	67	91	141
Total non-operating revenues (expenses)	366,687	363,028	389,233
Change in net position	$ 176,366	$ 151,389	$ 57,872

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 $151,553 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 $113,158. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$	1,873,668
Pension expense under GASB 68		(113,158)
2015 contractually required contribution		161,146
Adjusted 2015 program expenses		1,921,656
Total 2014 program expenses under GASB 27		1,902,929
Increase in program expenses not related pension	$	18,727

Net position increased in fiscal years ended June 30, 2015, 2014 and 2013. Revenues are consistently outpacing expenses. Expenses in fiscal year 2015, not related to pension, increased $18,727 from fiscal year 2014 mainly in purchased services from a roof replacement. In fiscal year 2014, federal and State grants decreased $42,003 from fiscal year 2013 due to reduced allocations of the School's current federal grants while purchased services decreased $122,130 since the School purchased a building in 2014 and no longer paid rent for use of one.

Capital Assets

As of June 30, 2015, the School had capital assets of $582,886 invested in land, buildings and improvements, furniture and equipment and leasehold improvements. This is a $30,806 decrease from fiscal year 2014.

The following schedule provides a summary of the School's capital assets as of June 30, 2015, 2014 and 2013:

	Governmental Activities					
	2015		2014		2013	
Land	$	90,929	$	90,929	$	0
Buildings and improvements, net		361,587		371,338		0
Furniture and equipment, net		23,363		40,138		60,237
Leasehold improvements, net		107,007		111,287		115,567
Total capital assets, net	$	582,886	$	613,692	$	175,804

For more information on capital assets, see Note 4 of the Notes to the Basic Financial Statements.

Current Financial Issues

Washington Park Community School is proud of the strong educational services provided to its students. The School serves approximately 210 diverse students across nine grade levels. The School is successful with its students as evidenced by strong performance on state assessments, including a 100 percent passage rate with its students in achieving the third grade reading guarantee.

In July 2013, Washington Park Community School purchased the present building without financing. Many building improvements have already been made, including a new parking lot and roof. The School places the safety and comfort of its staff and students at a high premium.

The School continues to remain a fiscally solvent and responsible guardian of public funds, repeatedly earning awards from the State for clean audits. Washington Park Community School will continue to serve the area for years to come.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the School's finances and to show the School's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Ms. Beth Hargreaves, Treasurer, Washington Park Community School, 4000 Washington Park Boulevard, Newburgh Heights, Ohio 44105.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Net Position
June 30, 2015 and 2014

	2015	Restated 2014
Assets		
Current assets:		
Equity in pooled cash and cash equivalents	$ 1,135,123	$ 1,000,492
Due from other governments	98,435	81,396
Total current assets	1,233,558	1,081,888
Noncurrent assets:		
Capital assets, not depreciated	90,929	90,929
Depreciable capital assets, net	491,957	522,763
Total noncurrent assets	582,886	613,692
Total assets	1,816,444	1,695,580
Deferred outflows of resources		
Pension	183,068	151,553
Liabilities		
Current liabilities:		
Accounts payable	11,154	765
Accrued wages and benefits	165,656	179,885
Due within one year	4,722	4,022
Total current liabilities	181,532	184,672
Noncurrent liabilities:		
Due in more than one year	6,859	11,233
Net pension liability	2,315,209	2,752,543
Total noncurrent current liabilities	2,322,068	2,763,776
Total liabilities	2,503,600	2,948,448
Deferred inflows of resources		
Pension	420,861	0
Net position		
Net investment in capital assets	571,305	598,437
Unrestricted	(1,496,254)	(1,699,752)
Total net position	$ (924,949)	$ (1,101,315)

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues		
Foundation payments	$ 1,650,481	$ 1,666,428
State distributed casino revenue	11,202	11,429
Charges for services	3,746	3,847
Other operating revenues	17,918	9,586
Total operating revenues	1,683,347	1,691,290
Operating expenses		
Salaries	1,014,408	1,069,863
Fringe benefits	265,450	300,946
Purchased services	327,170	250,413
Materials and supplies	173,117	192,647
Depreciation	30,806	33,317
Other operating expenses	62,717	55,743
Total operating expenses	1,873,668	1,902,929
Operating income (loss)	(190,321)	(211,639)
Non operating revenues (expenses)		
Federal and State subsidies	350,529	345,291
Rent	16,091	17,646
Investment income	67	91
Total non-operating revenues (expenses)	366,687	363,028
Change in net position	176,366	151,389
Net position at beginning of year	(1,101,315)	1,348,286
Restatement for Net Pension Liability, See Note 2L	0	(2,600,990)
Net position at end of year	$ (924,949)	$ (1,101,315)

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received from State of Ohio	$ 1,617,585	$ 1,666,428
Cash received from casino revenue	11,202	11,429
Cash received from customers	3,746	3,847
Cash payments to suppliers for goods and services	(489,898)	(443,895)
Cash payments to employees for services	(1,342,075)	(1,335,836)
Other operating revenues	17,918	9,586
Other operating expenses	(62,717)	(55,743)
Net cash provided by (used for) operating activities	(244,239)	(144,184)
Cash flows from non-capital financing activities:		
Federal and State grants received	366,386	322,733
Rent received	16,091	17,646
Net cash provided by (used for) non-capital financing activities	382,477	340,379
Cash flows from capital and related financing activities:		
Acquisition of capital assets	0	(471,205)
Principal payments on capital lease	(3,674)	(3,698)
Net cash provided by (used for) capital and related financing activities	(3,674)	(474,903)
Cash flows from investing activities:		
Investment earnings	67	91
Net increase (decrease) in cash and cash equivalents	134,631	(278,617)
Cash and cash equivalents at beginning of year	1,000,492	1,279,109
Cash and cash equivalents at end of year	$ 1,135,123	$ 1,000,492
Reconciliation of operating income (loss) to net cash Provided By (Used For) Operating Activities:		
Operating income (loss)	$ (190,321)	$ (211,639)
Adjustments to reconcile operating income to		
Net cash provided by (used for) operating activities:		
Depreciation	30,806	33,317
(Increase) decrease in assets:		
Due from other governments	(32,896)	8,639
Deferred outflows	(31,515)	0
Increase (decrease) in liabilities:		
Accounts payable	10,389	(835)
Accrued wages and benefits	(14,229)	26,334
Net pension liability	(437,334)	0
Deferred inflows	420,861	0
Total adjustments	(53,918)	67,455
Net cash provided by (used for) operating activities	$ (244,239)	$ (144,184)

See accompanying notes to the basic financial statements.

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Note 1 - Description of the School and Reporting Entity

Washington Park Community School (the "School") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new start-up school in Cleveland Municipal School that provides education to students in kindergarten through the eighth grade. The School, which is part of the State's education program, is independent of any School 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. 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 reassigned for operation under a contract with the Ohio Department of Education to the Educational Service Center of Lake Erie West (the Sponsor) for a period of five years commencing in the 2006 academic year. In fiscal year 2009, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2012. In fiscal year 2012, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2015. 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 School operates under the direction of a self-appointing, five-member Board of Trustees (the "Board"). The Board 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.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 following are the most significant of the School's accounting policies.

A. Basis of Presentation

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/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in 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, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

C. Cash and Cash Equivalents

Cash held by the School is reflected as "Equity in pooled cash and cash equivalents" on the Statement of Net Position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

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, except section 5705.391 which requires the School to prepare a five year projection of operational revenues and expenditures.

E. Due From Other Governments

Monies due the School for the year ended June 30, 2015 and 2014 are recorded as "Due from other governments." A current asset for the receivable is recorded at the time of the event causing the monies to be due.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School does not possess any infrastructure.

Leasehold improvements are also 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 capitalized.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over their estimated lives. All items with a useful life of one year or greater and a value of $1,000 or more are capitalized. The School will also capitalize any purchases that are considered a "controlled" type asset per School policy, although it may be valued at less than $1,500.

Capital Asset Classification	Years
Buildings and Improvements	5 - 39
Furniture and Equipment	5 - 10
Leasehold Improvements	5 - 39

G. 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 government-wide statements 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. For the School, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statements of net position. (See Note 7).

H. Intergovernmental Revenues

In fiscal years 2014 and 2015, the School participated in the State Foundation program. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. The School also participated in the State Meals Program, the Food Service federal grant program, the Special Education Part B-IDEA, Title I, and Improving Teacher Quality Title II-A programs. Grants and entitlements from these programs are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

I. Compensated Absences

Vacation is taken in a manner which corresponds with the School calendar; therefore, the School does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one day per month and cannot be carried into the subsequent year. No accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

J. 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.

K. Use of 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 these estimates.

L. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2015, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - *An Amendment of GASB Statement No. 68.*

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	$	1,499,675
Adjustments:		
Net Pension Liability		(2,752,543)
Deferred Outflow - Payments Subsequent to Measurement Date		151,553
Restated Net Position, July 1, 2014	$	(1,101,315)

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

Note 3 - Deposits and Investments

State statutes classify monies held by the School into three categories.

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

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

Interim monies may be invested in the following securities:

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in the amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

Deposits At fiscal years ended June 30, 2015 and 2014, the carrying amount of the School's deposits totaled $925,326 and $790,716, respectively and its bank balances were $986,344 and $840,122, respectively. Of the bank balances:

1. $296,821 was covered by the Federal Depository Insurance Corporation (FDIC) for fiscal year ended June 30, 2015 and $646,962 for fiscal year ended June 30, 2014. The Ohio Depository Act stipulates that FirstMerit Bank pledge collateral for the deposits of the School in a pool of securities under Section 135.181 of the Ohio Revised Code.

2. $689,523 was uninsured and uncollateralized for fiscal year ended June 30, 2015 and $193,160 for fiscal year ended June 30, 2014. Although the securities serving as collateral were held by the pledging institution's name, and all State 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.

Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned. Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Investments Investments are reported at fair value. As of June 30, 2015 and 2014, the School had the following investment and maturity:

	Fair Value	Investment Maturity < 3 months	% Total Invesments
Money Market Mutual Fund at June 30, 2015	$ 209,797	$ 209,797	100%
Money Market Mutual Fund at June 30, 2014	$ 209,776	$ 209,776	100%

Interest Rate Risk The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk Federal money markets are exempt from ratings since explicitly guaranteed by a U.S. Government Agency. The School's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

Concentration of Credit Risk. The School places no limit on the amount that may be invested to any one issuer. The School's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 4 - Capital Assets

A summary of the School's capital assets at June 30, 2015 and 2014 follows:

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
Capital Assets, Not Depreciated				
Land	$ 90,929	$ 0	$ 0	$ 90,929
Capital Assets, Being Depreciated:				
Buildings and Improvements	380,276	0	0	380,276
Furniture and Equipment	200,489	0	0	200,489
Leasehold Improvements	354,633	0	0	354,633
Total Capital Assets, Being Depreciated	935,398	0	0	935,398
Less Accumulated Depreciation:				
Buildings and Improvements	(8,938)	(9,751)	0	(18,689)
Furniture and Equipment	(160,351)	(16,775)	0	(177,126)
Leasehold Improvements	(243,346)	(4,280)	0	(247,626)
Total Accumulated Depreciation	(412,635)	(30,806)	0	(443,441)
Total Capital Assets being depreciated, net	522,763	(30,806)	0	491,957
Total Capital Assets, net	$ 613,692	$ (30,806)	$ 0	$ 582,886

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Capital Assets, Not Depreciated				
Land	$ 0	$ 90,929	$ 0	$ 90,929
Capital Assets, Being Depreciated:				
Buildings and Improvements	0	380,276	0	380,276
Furniture and Equipment	200,489	0	0	200,489
Leasehold Improvements	354,633	0	0	354,633
Total Capital Assets, Being Depreciated	555,122	380,276	0	935,398
Less Accumulated Depreciation:				
Buildings and Improvements	0	(8,938)	0	(8,938)
Furniture and Equipment	(140,252)	(20,099)	0	(160,351)
Leasehold Improvements	(239,066)	(4,280)	0	(243,346)
Total Accumulated Depreciation	(379,318)	(33,317)	0	(412,635)
Total Capital Assets being depreciated, net	175,804	346,959	0	522,763
Total Capital Assets, net	$ 175,804	$ 437,888	$ 0	$ 613,692

Note 5 - Purchased Services

For the following fiscal year ended, purchased services reported on the Statements of Revenues, Expenses, and Changes in Net Position consisted of the following:

	2015	2014
Consulting Fees	$ 156,196	$ 150,714
General Services	170,974	99,699
Total	$ 327,170	$ 250,413

Note 6 - Risk Management

A. Property and Liability Insurance

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. Effective September 1, 2013, the School contracted with Cincinnati Indemnity Company for property insurance with a $2,000,000 aggregate limit and general liability insurance with a $3,000,000 aggregate limit.

There has been no significant reduction in insurance coverage from prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Workers' Compensation

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

C. Employee Medical, Dental and Vision Benefits

The School has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits. The School pays all premiums for this coverage.

Note 7 - 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* on both the accrual and modified 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 $33,550 for fiscal year 2015. Of this amount $1,274 is reported as accrued wages and benefits.

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 $127,596 for fiscal year 2015. Of this amount $32,660 is reported as accrued wages and benefits.

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	$ 1,986,551	$ 328,658	$ 2,315,209
Proportion of the Net Pension Liability	0.00816722%	0.00649400%	
Pension Expense	$ 80,245	$ 32,913	$ 113,158

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	$ 19,125	$ 2,797	$ 21,922
School contributions subsequent to the measurement date	127,596	33,550	161,146
Total Deferred Outflows of Resources	$ 146,721	$ 36,347	$ 183,068
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 367,519	$ 53,342	$ 420,861

$161,146 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	$ (87,099)	$ (12,636)	$ (99,735)
2017	(87,099)	(12,636)	(99,735)
2018	(87,099)	(12,636)	(99,735)
2019	(87,097)	(12,637)	(99,734)
	$ (348,394)	$ (50,545)	$ (398,939)

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	$ 468,897	$ 328,658	$ 210,704

Actuarial Assumptions - STRS

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

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

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	$ 2,843,964	$ 1,986,551	$ 1,261,468

The following discussion is for fiscal year 2014, which follows GASB 27.

School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions to SERS for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were $37,700, $32,720, and $33,300, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may quality for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were $111,666, $110,121, and $92,118, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were $18,350 made by the School and $14,418 made by the plan members.

Note 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, 2014, 2013 and 2012 were $3,973, $400 and $1,272, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were $2,187, $1,848, and $1,735, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

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, 2014, 2013 and 2012 were $8,590, 8,471 and 8,516, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

Note 9 - Jointly Governed Organization

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 Schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Educational Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the years ended June 30, 2015 and 2014, the School paid $5,693 and $1,072, respectively to SPARCC for basic service charges.

Note 10 - Contingencies

A. 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 of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School is not party to any claims or lawsuits that would, in the School’s opinion, have a material effect of the basic financial statements.

C. Enrollment FTE

The Ohio Department of Education conducts reviews of enrollment 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. The results of this review for fiscal year 2015 amounted to $32,896 and is recorded to due from other governments.

Note 11 - Capital Leases

During fiscal year 2013, the School entered into a capitalized lease for copiers. The lease met the criteria of a capital lease as defined by accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee. Capital assets, consisting of furniture and fixtures, were capitalized in the amount of $20,971. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2015 totaled $3,674. For fiscal year 2016, $4,722 of principal payments will be due. The following is a schedule of the future minimum lease payments as of June 30, 2015.

Fiscal Year Ending June 30,	Amount
2016	$ 5,583
2017	5,154
2018	2,147
Total Minimum Lease Payments	12,884
Less Amount Representing Interest	(1,303)
Present Value of Minimum Lease Payments	$ 11,581

Washington Park Community School
Cuyahoga 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)	0.00816722%	0.00816722%
School's proportionate share of the net pension liability (asset)	$ 1,986,551	$ 2,366,366
School's covered-employee payroll	$ 858,969	$ 847,085
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	231.27%	279.35%
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)	0.00649400%	0.00649400%
School's proportionate share of the net pension liability (asset)	$ 328,658	$ 386,177
School's covered-employee payroll	$ 287,785	$ 249,769
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	114.20%	154.61%
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.

Washington Park Community School
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of School Contributions
Last Ten Fiscal Years

	2015	2014	2013	2012
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 127,596	$ 111,666	$ 110,121	$ 92,118
Contributions in Relation to the Contractually Required Contribution	(127,596)	(111,666)	(110,121)	(92,118)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
School's covered-employee payroll	$ 911,400	$ 858,969	$ 847,085	$ 708,600
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)				
Contractually required contribution	$ 33,550	$ 39,887	$ 34,568	$ 35,035
Contributions in relation to the contractually required contribution	(33,550)	(39,887)	(34,568)	(35,035)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
School's covered-employee payroll	$ 254,552	$ 287,785	$ 249,769	$ 260,483
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

2011	2010	2009	2008	2007	2006
$ 99,222	$ 95,542	$ 94,922	$ 97,372	$ 83,217	$ 78,739
(99,222)	(95,542)	(94,922)	(97,372)	(83,217)	(78,739)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 763,246	$ 734,938	$ 730,169	$ 749,015	$ 640,131	$ 605,685
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$ 30,342	$ 35,392	$ 29,628	$ 20,106	n/a	n/a
(30,342)	(35,392)	(29,628)	(20,106)	n/a	n/a
$ 0	$ 0	$ 0	$ 0	n/a	n/a
$ 241,384	$ 261,388	$ 301,098	$ 204,745	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

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Dave Yost · Auditor of State

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

Washington Park Community School
Cuyahoga County, Ohio
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44106

To the Board of Trustees:

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 Washington Park Community School, Cuyahoga County, (the School) as of and for the years ended June 30, 2015 and June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 22, 2016, wherein we noted the School adopted Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

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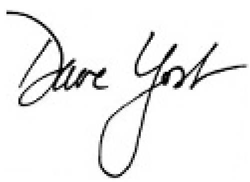
Compliance and Other Matters

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.



Dave Yost
Auditor of State
Columbus, Ohio

July 22, 2016

WASHINGTON PARK COMMUNITY SCHOOL

CUYAHOGA 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
AUGUST 9, 2016