

**CENTRAL
HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2016**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board Members
Central High School
840 West State Street
Columbus, Ohio 43222

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

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

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

Dave Yost
Auditor of State

March 7, 2017

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**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Central High School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Central High School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 Central High School, Franklin County, Ohio, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying basic financial statements have been prepared assuming that the Central High School, Ohio, will continue as a going concern. As described in Note 14 to the basic financial statements, the Central High School, Ohio, has a declining net position due to the expenses exceeding revenues, which raises substantial doubt about the Central High School, Ohio's ability to continue. Management's plans in regard to those matters are also described in Note 15. The basic 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 Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the Central High 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 Central High School's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 27, 2016

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**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

The discussion and analysis of Central High School, DBA, South Columbus Drop Back In (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the 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 (the MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2015-16 school year are as follows:

- Total assets and deferred outflows of resources increased by \$239,512.
- Total liabilities increased by \$525,748.
- Total net position decreased by \$286,236.
- Total operating and non-operating revenues were \$681,089. Total operating expenses were \$979,040.

USING THIS ANNUAL 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 Change in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2016. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and change in those assets. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2016. 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 resource 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 years 2016 and 2015.

**Table 1
Statement of Net Position**

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets	\$ 99,198	\$ 12,603
Noncurrent Assets	121,318	-
Total Assets	<u>220,516</u>	<u>12,603</u>
 Deferred Outflows of Resources	 <u>31,599</u>	 <u>-</u>
 Liabilities		
Current Liabilities	107,727	12,603
Long Term Liabilities	430,624	-
Total Liabilities	<u>538,351</u>	<u>12,603</u>
 Net Position		
Unrestricted	<u>(286,236)</u>	<u>-</u>
Total Net Position	<u>\$ (286,236)</u>	<u>\$ -</u>

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2016, the School's Net Position totaled (\$286,236).

Current assets represent cash and cash equivalents, grants receivables, intergovernmental receivables, and other receivables. Current liabilities represent accounts payable, accrued expenses, and amounts owed to the management company (Edison Payable) at fiscal year-end and current portion due from capital lease.

Current assets increased by \$86,595, which is primarily due to an increase in intergovernmental receivable of \$47,500. Current liabilities increased by \$95,124 primarily due to an increase in the accounts payable (\$59,720) and accrued expense of (\$18,712).

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

Statement of Revenues, Expenses and Change in Net Position

Table 2 shows the change in Net Position for fiscal years 2016 and 2015, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Table 2
Change in Net Position**

	2016	2015
Operating Revenue		
State Aid	\$ 614,436	\$ 295,274
Intergovernmental Revenue	4,510	2,210
Other Revenue	2,973	20,222
Total Operating Revenues	621,919	317,706
Operating Expenses		
Purchased Services	260,378	254,704
State Retirement	-	13,100
Facility Costs	216,050	-
Professional Fees	292,615	23,145
Sponsor Fees	17,915	8,757
Legal Fees	23,050	18,000
Materials & Supplies	86,506	-
Other	47,385	-
Depreciation	23,426	-
Total Operating Expenses	967,325	317,706
Operating (Loss)	(345,406)	-
Non-Operating Revenues		
Federal Grants	59,170	-
Total Non-Operating Revenues	59,170	-
Change in Net Position	\$ (286,236)	\$ -
Net Position, Beginning of Year,	-	-
Net Position, End of Year	\$ (286,236)	\$ -

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

State aid increased \$319,162 from the prior year, due to an increase in FTE of 34 from 39 to 73. Operating expenses increased with the increased enrollments and a result of new school location and management company.

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was \$108,318. This balance represents current year additions of \$131,744 offset by current year depreciation of \$23,426. For more information on capital assets, see Note 5 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. The School continually evaluates the extent of the impact that changes in State funding will have on current year operations. Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students.

The full-time equivalent enrollment of the School for the year ended June 30, 2016 was 76.68 which is an increase compared to 2015 which had enrollment of 39.69.

Effective July 2015, the School entered into a management agreement with Cambridge Education Group, LLC to operate the day to day operations of the School. (See note 12)

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 840 W. State Street, Columbus, Ohio 43222 or e-mail at dave@massasolutionsllc.com.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

**Statement of Net Position
At June 30, 2016**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 29,339
Grants Receivable	13,044
Other Receivable	5,948
Intergovernmental Receivable	50,867
Total Current Assets	<u>99,198</u>

Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets, net	108,318
Other Assets	13,000
Total Noncurrent Assets	<u>121,318</u>

Total Assets	<u>220,516</u>
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Deferred Outflows of Resources	<u>31,599</u>
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Liabilities

Current Liabilities:

Accounts Payable	59,720
Accrued Expense	18,712
Edison Payable	10,398
Capital Lease	18,897
Total Current Liabilities	<u>107,727</u>

Long Term Liabilities:

Capital Lease	39,875
Accrued Fees – Cambridge	390,749
Total Long Term Liabilities	<u>430,624</u>

Total Liabilities	<u>538,351</u>
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Net Position

Net Investment in Capital Assets	49,546
Unrestricted	<u>(335,782)</u>

Total Net Position	<u><u>\$ (286,236)</u></u>
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See accompanying notes to the basic financial statements

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

**Statement of Revenues,
Expenses and Change in Net Position
For the Year Ending June 30, 2016**

Operating Revenues

State Aid	\$ 614,436
Intergovernmental Revenue	4,510
Other Revenue	<u>2,973</u>
Total Operating Revenues	<u>621,919</u>

Operating Expenses

Purchased Services	260,378
Facility Costs	216,050
Sponsor Fees	17,915
Legal Fees	23,050
Professional Fees	292,615
Materials & Supplies	86,506
Other	47,385
Depreciation	<u>23,426</u>
Total Operating Expenses	<u>967,325</u>

Operating (Loss) (345,406)

Non-Operating Revenues

Federal Grants	<u>59,170</u>
Total Non-Operating Revenues	<u>59,170</u>

Change in Net Position (286,236)

Net Position, Beginning of Year -

Net Position, End of Year \$ (286,236)

See accompanying notes to the basic financial statements

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016**

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 564,965
Cash Received from Other Sources	5,179
Cash Payments to Suppliers for Goods and Services	<u>(524,119)</u>
Net Cash Provided by Operating Activities	46,025

Cash Flows from Non-capital Financing Activities

Cash Received from Federal Grants	<u>44,746</u>
Net Cash Provided by Non-capital Financing Activities	44,746

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Acquisitions	(70,000)
Capital Lease Retirement	<u>(2,972)</u>
Net Cash Used for Capital and Related Financing Activities	(72,972)

Net Increase in Cash and Cash Equivalents 17,799

Cash and Cash Equivalents, Beginning of Year 11,540

Cash and Cash Equivalents, End of Year \$ 29,339

(Continued)

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ (345,406)
Depreciation	23,426
Changes in Assets, Liabilities, and Deferred Outflows:	
(Increase)/Decrease Accounts Receivable	(3,738)
(Increase)/Decrease Other Assets	(13,000)
(Increase)/Decrease in Deferred Outflows	(31,599)
Increase/(Decrease) Accounts Payable	59,720
Increase/(Decrease) Accrued Expense	409,461
Increase/(Decrease) Intergovernmental Receivable	<u>(52,839)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 46,025</u></u>

Noncash Capital and Related Financing Activity
Capital lease obligations of \$61,744 were incurred to purchase school technology, furniture and equipment

See accompanying notes to the basic financial statements

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

1. DESCRIPTION OF THE ENTITY

Central High School, DBA, South Columbus Drop Back In, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Effective July 1, 2015, the School changed its name from Arch Academy to Central High School. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. 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 acquire facilities as needed and contract for any services necessary for the operation of the School. The School may sue and be sued. The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course or 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 a contract with the Education Resource Consultants of Ohio ("ERCO") (the Sponsor) for a one year period ending on June 30, 2016. The Sponsor approved an additional contract for one year ending June 30, 2017. 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 Board of Directors (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 populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. Effective July 1, 2015, the School has contracted with Cambridge Education Group, LLC, to act as a management company for the School (see Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 principals. 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 Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes Net Position, financial position and cash flows.

The Government Accounting Standards Board requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting

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 (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C. 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 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2016.

E. 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.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were \$108,318, as of June 30, 2016, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the asset which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Software	3 years
Furniture, Fixtures, & Equipment	5 years

The School's policy for asset capitalization threshold is \$5,000.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Intergovernmental Revenues

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$614,436 this fiscal year from the State Foundation Program and \$59,170 from Federal Grants.

H. 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/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of \$59,720, accrued expense of \$18,712, accrued fees – Cambridge of \$390,749, and an Edison payable totaling \$10,398 at June 30, 2016.

J. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. 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 expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 are 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.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2016.

M. Deferred Inflows and Deferred Outflows 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 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. There were no deferred inflows of resources reported at June 30, 2016.

N. 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/deletions from their fiduciary net position 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.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the Scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School.

GASB Statement no. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School.

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

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,* as amended by GASB Statement No.40, *Deposit, and Investment Risk Disclosures*.

The School maintains its cash balances at one financial institution, Chase Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2016, the book amount of the School's deposits was \$29,339 and the bank balance was \$35,400.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

3. CASH AND CASH EQUIVALENTS (CONTINUED)

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2016, none of the bank balance was exposed to custodial credit risk.

4. RECEIVABLES

A. Intergovernmental Receivable

The School has intergovernmental receivables totaling \$50,867 at June 30, 2016. These receivables represented cash revenue earned, but not received as of June 30, 2016.

B. Grants Receivable

The School had grant receivable balances of federal grant monies totaling \$13,044 at June 30, 2016.

C. Other Receivable

The School had other receivable balances of federal grant monies totaling \$5,948 at June 30, 2016.

5. CAPITAL ASSETS

For the period ending June 30, 2016, the School's capital assets consisted of the following:

	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>
Capital Assets:				
Furniture, Fixtures, & Equipment	\$ -	\$ 26,425	\$ -	\$ 26,425
Computers	-	105,319	-	105,319
Total Capital Assets	-	131,744	-	131,744
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	-	(3,964)	-	(3,964)
Computers	-	(19,462)	-	(19,462)
Total Accumulated Depreciation	-	(23,426)	-	(23,426)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 108,318</u>	<u>\$ -</u>	<u>\$ 108,318</u>

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

6. CAPITAL LEASE AND LONG-TERM OBLIGATIONS

The School entered into a three year lease agreement for the purchase of technology equipment with a cost of \$61,744. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments:

Year Ending	
FY 2017	\$ 23,873
FY 2018	23,873
FY 2019	<u>19,894</u>
Total future minimum lease payments	\$ 67,640
Less: Amount representing interest	<u>(8,868)</u>
Present value of future lease payments	<u>\$ 58,772</u>

The liability for the capital lease is reported on the Statement of Net Position for the year ended June 30, 2016. Of the amount \$18,897 is a current liability and due within one year and \$39,875 is a long-term liability due in more than one year.

7. RISK MANAGEMENT

Property & 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 the fiscal year ending June 30, 2016, the School contracted with MHBT, Inc. for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$20,000,000 annual aggregate. Other insurance coverage included automobile liability insurance with a \$1,000,000 combined single limit liability, and an umbrella liability insurance with a \$25,000,000 single occurrence limit and a \$25,000,000 aggregate.

There were no settlements in excess of insurance coverage over the past three years.

8. DEFINED BENEFIT PENSIONS PLANS

The School has contracted with Cambridge Education Group LLC to provide all teaching and administrative personnel. Such personnel are employees of Midwest Education Partners LLC; however, the School is responsible for monitoring and ensuring that Midwest Education Partners LLC makes pension contributions on its behalf. The retirement systems consider Midwest Education Partners as the "Employer of Record", however the School is ultimately responsible for remitting contributions to each of the systems noted below.

A. Net Pension Liability

In future periods, the School will report a net pension liability on the statement of net position. The net pension liability 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.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

8. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

A. Net Pension Liability (Continued)

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 expenses on the accrual basis of accounting.

B. School Employees Retirement System (SERS Ohio)

Plan Description – The School's 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.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

8. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

B. School Employees Retirement System (SERS Ohio) (Continued)

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School's contractually required contribution to SERS was \$13,776 of which the entire amount has been paid.

C. State Teachers Retirement System (STRS Ohio)

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.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

8. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

C. State Teachers Retirement System (STRS Ohio) (Continued)

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.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

8. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

C. State Teachers Retirement System (STRS Ohio) (Continued)

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS for the fiscal year ended June 30, 2016 was \$6,108.

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

At June 30, 2016, the School reported deferred outflows of resources, totaling \$31,599 related to pension contributions made during fiscal year 2016. Of the total contributions made in fiscal year 2016, STRS contributions were \$22,996 and SERS contributions were \$8,603. The amount will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

9. 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.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

9. POSTEMPLOYMENT BENEFITS (CONTINUED)

A. School Employees Retirement System (Continued)

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 2016, SERS did not allocate any employer contributions to the Health Care Fund. 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 \$23,000. 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, 2016, 2015 and 2014 were \$438, \$1,149, and \$128, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. School 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 2016, 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, 2016, 2015 and 2014 were \$0, \$0 and \$1,023, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

10. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Litigation

There are currently no matters in litigation with the School as defendant.

C. Full-Time Equivalency

The School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with the 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, 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, 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School.

11. SPONSOR CONTRACT

The School contracted with Educational Resource Consultants of Ohio, Inc. (ERCO) as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2016, the total sponsorship fees paid totaled \$17,915.

12. MANAGEMENT AGREEMENT

On April 20, 2010, the School contracted with Edison Learning, Inc. to provide educational programs that offer educational excellence and educational innovation based on Edison Learning, Inc.'s unique school design, comprehensive educational programs, and management principles. The contract with Edison Learning ended on June 30, 2015.

Effective July 1, 2015, the School entered into a multi-year Management Agreement (Agreement) with Cambridge Education Group, LLC, an Ohio limited liability company which is an educational consulting and management company. The Agreement's term will run through five academic school years ending June 30, 2020 unless terminated by either party. Thereafter, the agreement will automatically renew for additional successive five (5) year terms. Substantially most functions of the School have been contracted to Cambridge. Cambridge is responsible and accountable to the School's Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 18 percent of the Schools

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

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

12. MANAGEMENT AGREEMENT (CONTINUED)

Qualified Gross Revenues as defined in the agreement. In addition to the continuing fee, the School also pays a curriculum fee of \$500 per student FTE to Cambridge.

In addition to the continuing fee described above, the School will reimburse Cambridge for its payroll and other costs eligible for reimbursement. Cambridge acknowledges that pursuant to Ohio law, Company's State Teachers Retirement System ("STRS") and State Employees Retirement System ("SERS") contributions on behalf of the Company employees employed at the School will be withheld by the State of Ohio.

The School had purchased service expenses for the year ended June 30, 2016 to Cambridge of \$272,093 for salaries and benefits, \$100,000 for continuing fees and \$30,830 for curriculum fees. At June 30, 2016, the School owed Cambridge \$390,749 for services and advances made to the School. Per terms of the management agreement, such amounts owed to Cambridge are due when available in future years and subject to certain debt forgiveness provisions if not repaid within two years. All amounts owed have been recorded as long-term liabilities as Schools projections do not reflect to be repaid within twelve months.

13. LEASE OBLIGATIONS

The school entered into a lease agreement with 840 W. State Street, LLC for the school premises located at 840 W. State Street, Columbus, Ohio. The lease term is from July 1, 2015 through June 30, 2025.

Future lease obligations are as follows:

FY 2017	\$ 156,000
FY 2018	156,000
FY 2019	156,000
FY 2020	156,000
FY 2021	156,000
Thereafter	<u>624,000</u>
Total	<u>\$ 1,404,000</u>

14. FISCAL DISTRESS

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2016 was \$29,339. Additionally, the School has significant liabilities at June 30, 2016 which has resulted in a deficit net position of (\$286,236). Overcoming this deficit may be difficult without significant increases in student enrollments and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

15. MANAGEMENT PLAN

The amount owed to Cambridge Education Group, LLC, at June 30, 2016 is for unpaid operating expenses and outstanding advances for the start-up of the School. Cambridge remains committed to the success of the School both academically and financially. During the current year, stronger efforts in student recruitment and the use of Federal funds are improving the financial performance of the School.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE EMPLOYEES RETIREMENT SYSTEM OF OHIO
CURRENT FISCAL YEAR (1)**

	<u>2016</u>
Contractually Required Contribution	\$ 8,603
Contributions in Relation to the Contractually Required Contribution	<u>(8,603)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
School's Covered-Employee Payroll	\$ 61,450
Contributions as a Percentage of Covered-Employee Payroll	14.00%

(1) - Information prior to 2016 is not available.

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
CURRENT FISCAL YEAR (1)**

	<u>2016</u>
Contractually Required Contribution	\$ 22,996
Contributions in Relation to the Contractually Required Contribution	<u>(22,996)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
School's Covered-Employee Payroll	\$ 164,257
Contributions as a Percentage of Covered-Employee Payroll	14.00%

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
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Ohio Society of Certified Public Accountants

**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**

To the Members of the Board
Central High School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the Central High School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 27, 2016, wherein we noted the accompanying financial statements have been prepared assuming that the Central High School, Ohio, will continue as a going concern.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central High 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 Central High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central High 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 Central High School'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 Central High 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 Central High 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 Central High School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 27, 2016

**CENTRAL HIGH SCHOOL
FRANKLIN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

The prior audit report, as of June 30, 2015, included no citations or instances of noncompliance. Verbal recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

CENTRAL HIGH SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2017**