OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY
JUNE 30, 2017

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Oakstone Community School
Franklin County
5747 Cleveland Avenue
Columbus, Ohio 43231

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Oakstone Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oakstone Community School, Franklin County, Ohio as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018 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

March 7, 2018

The discussion and analysis of the Oakstone Community School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2017. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was ($1,840,631) at June 30, 2017.
- The School had operating revenues of $7,670,184, operating expenses of $7,709,341, and non-operating revenues of $213,761, for fiscal year 2017. Total change in net position for the fiscal year was an increase of $174,604.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 11 of this report.

The table below provides a summary of the Statement of Net Position for fiscal years 2017 and 2016.

	2017	2016
Assets		
Current assets	$ 633,585	$ 378,648
Non-current assets, net	46,704	47,969
Total assets	680,289	426,617
Deferred Outflows of Resources		
Pension	1,101,825	532,324
Total Deferred Outflows of Resources	1,101,825	532,324
Liabilities		
Current liabilities	145,842	136,641
Long term liabilities	66,501	53,073
Net Pension Liability	2,839,488	2,033,026
Total liabilities	3,051,831	2,222,740
Deferred Inflows of Resources		
Pension	570,914	751,436
Total Deferred Inflows of Resources	570,914	751,436
Net Position		
Net investment in Capital Assets	14,704	15,969
Restricted	32,000	32,000
Unrestricted	(1,887,335)	(2,063,204)
Total Net Position	$ (1,840,631)	$ (2,015,235)

Pension Accounting and GASB 68

The adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27," in fiscal year 2015 significantly revised 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 of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

GASB standards are national and apply to all governmental 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 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 School, part of a bargained-for benefit to the employee, and should accordingly be reported by the School 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 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.

Changes not related to Pension Accounting and GASB 68
Current Assets increased in fiscal year 2017 mainly due to an increase in cash of $275,130 as a result of operations. There was also a decrease in intergovernmental receivable related to foundation and grant revenues and an increase in prepaids.

At June 30, 2017, capital assets represented just over 2.2% of total assets. Capital assets consisted of technology equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

Deferred Outflows of Resources related to pensions increased. See Note 7 for detailed information.

Current liabilities increased in fiscal year 2017 as a result of increases in both accounts payable and accrued wages due to operations. Those increases were offset by a decrease in intergovernmental payable due to not having substantial foundation adjustments owed back to the Ohio Department of Education.

The School's long term liabilities consist of compensated absences and net pension liability. Compensated absences increased due to leave accruals. See the above information and Note 7 regarding net pension liability.

Deferred Inflows of Resources related to pensions decreased. See Note 7 for detailed information.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position was ($1,840,631) compared to ($2,015,235) at June 30, 2016. The School's net position increased $174,604 during the fiscal year.

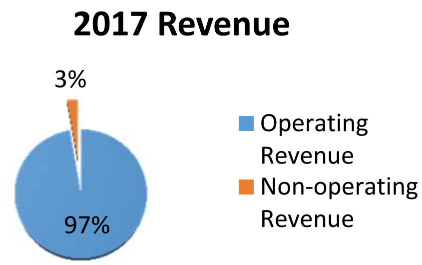
The table below shows the changes in net position for fiscal years 2017 and 2016:

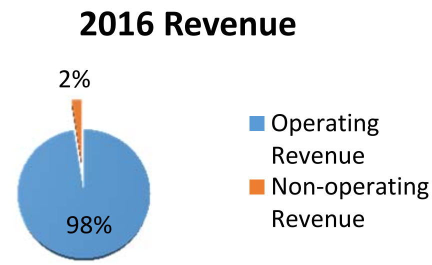
	2017	2016
Operating Revenues:		
State foundation	$ 7,670,181	$ 7,851,034
Other	3	33
Total operating revenues	7,670,184	7,851,067
Non-operating Revenues:		
Federal grants	189,827	181,645
Casino Revenue	13,354	13,683
Donations	3,257	2,589
Interest income	7,323	1,199
Total non-operating revenues	213,761	199,116
Total revenue	7,883,945	8,050,183
Operating Expenses:		
Salaries and wages	1,084,749	1,002,391
Fringe benefits	339,894	272,340
Purchased services	6,265,086	6,488,377
Materials and supplies	15,323	8,639
Depreciation	4,289	3,014
Total operating expenses	7,709,341	7,774,761
Change in net position	174,604	275,422
Net position at beginning of year	(2,015,235)	(2,290,657)
Net position at end of year	$ (1,840,631)	$ (2,015,235)

State foundation revenue decreased due to a slight increase in per student funding offset by a decrease in enrollment from 275.39 full time equivalent (FTE) students during fiscal year 2016 to 265.15 FTE students in fiscal year 2017. Casino revenue decreased from fiscal year 2016. Interest income increased due to larger fund balances earning more interest. Donations also increased from 2016. Federal grant revenue increased slightly due to increases in both the Medicaid in Schools Program and the Title VI-B IDEA Special Education funding.

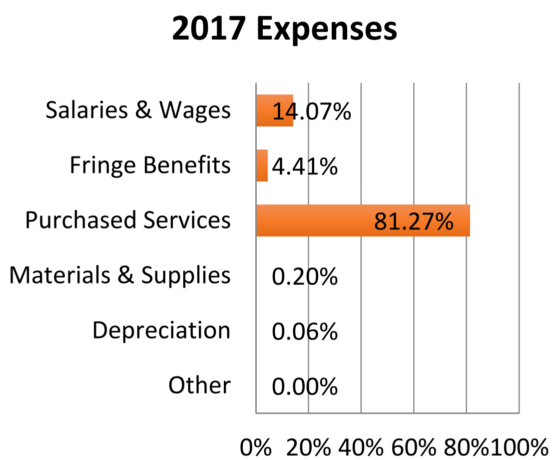
Salaries and wages increased during 2017 due to staffing changes and salary increases. Fringe benefits increased primarily due to pension accounting. Purchased services decreased. Although the expense for most services increased, the decrease is related to the decrease in student FTE. Materials and supplies increased due to eliminating spending restrictions in place in fiscal year 2016. Depreciation increased with the increase in capital assets.

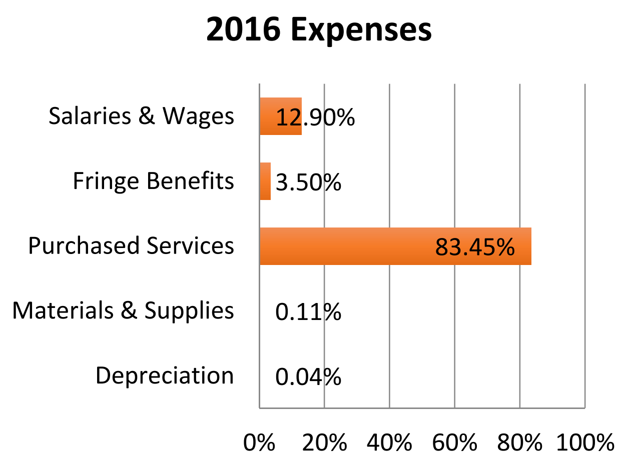
The charts below illustrate the revenues for the School during fiscal 2017 and 2016:





The charts below illustrate the expenses for the School during fiscal 2017 and 2016:





Capital Assets

At June 30, 2017, the School had $14,704 invested in technology equipment. Capital assets decreased a net of $1,265 in 2017, including additions, disposals, and depreciation expense for the year. The disposals were fully depreciated. See Note 4 to the basic financial statements for more detail on capital assets.

Debt Administration

The School had no debt outstanding during fiscal year 2017 or as of June 30, 2017.

Current Financial Related Activities

The School is sponsored by the Educational Service Center of Central Ohio. The School is reliant upon State Foundation monies and Federal Grants to offer quality, educational services to students. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Heather Kronewetter, Superintendent, or Johanna Gladman, CPA, Fiscal Officer.

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OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:	
Current assets:	
Cash	$ 594,203
Accounts Receivable	22
Intergovernmental Receivable	29,561
Prepaids	9,799
Total current assets	633,585
Non-current assets:	
Security deposit	32,000
Capital assets, net	14,704
Total non-current assets	46,704
Total assets	680,289
Deferred Outflows of Resources:	
Pension	1,101,825
Total Deferred Outflows of Resources	1,101,825
Liabilities:	
Current:	
Accounts payable	49,487
Accrued wages and benefits	78,468
Intergovernmental payable	17,887
Total current liabilities	145,842
Long-term liabilities:	
Compensated absences	66,501
Net Pension Liability	2,839,488
Total long term liabilities	2,905,989
Total liabilities	3,051,831
Deferred Inflows of Resources:	
Pension	570,914
Total Deferred Inflows of Resources	570,914
Net Position:	
Net Investment in Capital Assets	14,704
Restricted for:	
Security deposit	32,000
Unrestricted	(1,887,335)
Total Net Position	$ (1,840,631)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

Operating revenues:		
State foundation	$	7,670,181
Other		3
Total operating revenues		7,670,184
Operating expenses:		
Salaries and wages		1,084,749
Fringe benefits		339,894
Purchased services		6,265,086
Materials and supplies		15,323
Depreciation		4,289
Total operating expenses		7,709,341
Operating loss		(39,157)
Non-operating revenues:		
Federal grants		189,827
Casino Revenues		13,354
Donations		3,257
Interest income		7,323
Total non-operating revenues		213,761
Change in Net Position		174,604
Net Position at beginning of year		(2,015,235)
Net Position at end of year	$	(1,840,631)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from State foundation	$ 7,661,756
Cash payments for salaries and benefits	(1,357,653)
Cash payments to suppliers for goods and services	(6,245,861)
Cash payments for materials and supplies	(15,323)
Cash received for other operating activities	3
Net cash provided by operating activities	42,922
Cash flows from noncapital financing activities:	
Federal grants	211,298
Casino Revenue Distribution from State	13,354
Donations	3,257
Net cash provided by noncapital financing activities	227,909
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,024)
Net cash used in capital and related financing activities	(3,024)
Cash flows from investing activities:	
Interest received	7,323
Net cash provided by investing activities	7,323
Net increase in cash and cash equivalents	275,130
Cash and cash equivalents at beginning of year	319,073
Cash and cash equivalents at end of year	$ 594,203
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (39,157)
Adjustments:	
Depreciation	4,289
Changes in assets and liabilities:	
Increase in accounts receivable	(22)
Decrease in intergovernmental receivable	4,310
Increase in prepayments	(5,566)
Increase in accounts payable	19,351
Increase in accrued wages and benefits	11,127
Decrease in intergovernmental payable	(21,277)
Increase in compensated absences payable	13,428
Increase in net pension liability	806,462
Changes in deferred outflows/inflows:	
Increase in deferred outflow	(569,501)
Decrease in deferred inflow	(180,522)
Net cash provided by operating activities	$ 42,922

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

Oakstone Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School specializes in providing educational services to special needs children with Autism Spectrum Disorders. Specific activities in support of the School include general teaching, therapy and socialization activities. The School, which is part of the state's education program, 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.

The School began operations on October 4, 2004. The School contracted with the Educational Service Center of Central Ohio (the "Sponsor") for a period of five years commencing July 1, 2014. The Sponsor is responsible for evaluating the performance of the School. A new contract began July 1, 2017, and will expire on June 30, 2019.

The School operates under the direction of a self-appointed Board of Trustees. The Board operates with a minimum of five members. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The School was staffed by 11 certificated personnel and 11 non-certified staff members who provided services to 277 students (265.15 full time equivalents) during fiscal year 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The School uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income or loss, changes in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. The Statement of Cash Flows reflects how the School finances meet its cash flow needs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

D. Budgetary Process

Unlike traditional public schools located in the State of Ohio, the School is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated annually in October and May of each fiscal year.

E. Cash

Cash received by the School is reflected as "Cash" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2017. Cash and Cash Equivalents on the Statement of Cash Flows is considered to be all cash held by the School.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold of $1,000. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The School does not capitalize interest.

All capital assets are depreciated. The School's capital assets consist of technology equipment. Depreciation is computed using the straight-line method. Technology equipment is depreciated over five years.

G. Compensated Absences

Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Unused sick leave is banked for use during the following school year but is only paid out upon resignation or termination after ten years of employment with the School. The Superintendent and Fiscal Officer contracts contain a provision for payment of 25% of sick leave to be paid upon termination or resignation at the current rate of pay. The School records a liability for employees with accumulated unused vacation leave when earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Prepayments

Payments made to vendors or employees for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment by the School and the expense is recorded when used. The School has prepaid items of $9,799 at June 30, 2017.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School, deferred inflows of resources are reported for pension.

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.

J. Net Position

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

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The School had restricted net position related to amounts held by a lessor as part of the School's lease agreement totaling $32,000.

K. Operating Revenues and Expenses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates

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

NOTE 3 – DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2017, the carrying amount of the School's deposits was $594,203 and the bank balance was $625,237. Federal Deposit Insurance Corporation (FDIC) covered $250,000 of the bank balance. The remaining amount was collateralized by the financial institution's public entity deposit pool. There are no significant statutory restrictions regarding the deposit and investment of funds by the School.

NOTE 4 - CAPITAL ASSETS

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

	June 30, 2016	Additions	Disposals	June 30, 2017
Depreciable capital assets:				
Furniture	$ -	$ -	$ -	$ -
Equipment	51,858	3,024	(5,963)	48,919
Less: accumulated depreciation	(35,889)	(4,289)	5,963	(34,215)
Capital assets, net	$ 15,969	$ (1,265)	$ -	$ 14,704

NOTE 5 - BUILDING LEASE AND SECURITY DEPOSIT

The School operations are located in space leased from the Children's Center for Developmental Enrichment (CCDE). As part of the original lease agreement from fiscal year 2005, the School was required to pay a security deposit of $32,000. This amount is being held by the Lessor and will be remitted to the School at the end of the lease if all lease commitments are paid. The lease agreement for fiscal year 2017 required $379,440 in lease payments. The lease expired on June 30, 2017, but was renewed for fiscal year 2018.

NOTE 6 - RECEIVABLES

The School had accounts receivable of $22 as of June 30, 2017. The School also had $29,561 in intergovernmental receivables at June 30, 2017.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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 (ORC) 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 long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually required pension contributions outstanding at the end of the year is included in *intergovernmental payable.*

Plan Description - School Employees Retirement System (SERS)

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 ORC 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 62 with 10 years of service credit; or
	Age 55 with 25 years of service credit	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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) (continued)

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, 2017, 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 2017.

The School's contractually required contribution to SERS was $59,252 for fiscal year 2017. Of this amount, $716 is included in intergovernmental payable.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 ORC 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% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65 or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio) (continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio therefore has 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 to 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 ORC. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14%; the entire 14% was used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $90,864 for fiscal year 2017. The full amount was paid during fiscal year 2017.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent 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 the information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$880,031	$1,959,457	$2,839,488
Proportion of the Net Pension Liability	0.01202380%	0.00585384%	
Pension Expense	$66,368	$141,000	$207,368

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences due to change in proportionate share percentage between measurement dates	$45,233	$339,507	$384,740
Differences between expected and actual experience	11,870	79,171	91,041
Changes of assumptions	58,747	0	58,747
Net difference between projected and actual earnings on pension plan investments	121,972	294,397	416,369
School contributions subsequent to the measurement date	58,536	92,392	150,928
Total Deferred Outflows of Resources	$296,358	$805,467	$1,101,825
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$49,382	$131,709	$181,091
Differences due to change in proportionate share percentage between measurement dates	93,874	295,949	389,823
Total Deferred Inflows of Resources	$143,256	$427,658	$570,914

$150,928 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 year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$23,641	$71,354	$94,995
2019	23,641	71,354	94,995
2020	23,642	71,354	94,996
2021	23,642	71,355	94,997
Total	$94,566	$285,417	$379,983

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5% net of investments expense, including inflation
COLA or Ad Hoc COLA	3.00%
Future Salary Increases, including inflation	3.50% -18.20%
Wage Inflation	3.00%
Most recent Experience Study Date	5 year period ended June 30, 2010

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 (7.5 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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School's proportionate share of the net pension liability	$1,165,106	$880,031	$641,411

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

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

Investment Return Assumptions - STRS Ohio's investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the STRS Ohio Retirement Board. The target allocation and long term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation		10-Yr Expected Nominal Rate of Return	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
Total	100.00	%		

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among asset classes and therefore is not a weighted average return on the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the 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:

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$2,603,959	$1,959,457	$1,415,781

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

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits
In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan
Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School contributions, including the surcharge, assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $2,061, $0, and $5,256, respectively; 100% has been contributed for fiscal years 2016 and 2015. The $2,061 for fiscal year 2017 is included in intergovernmental payable.

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Health Care Plan (continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for healthcare coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive annual financial report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description –The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by STRS Ohio for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The plan is included in a stand-alone financial report issued by STRS Ohio. Interested parties can view the most recent *Comprehensive Annual Financial Report* visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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 postemployment healthcare may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The School did not contribute to health care in the last three fiscal years.

NOTE 9 - EMPLOYEE BENEFITS

The School offers healthcare, dental, and vision insurance for all eligible employees. The School pays a portion of the monthly premium for healthcare, dental, and vision benefits, and the employee is responsible for the remainder. The School provides basic life and accidental death and dismemberment insurance to employees. Employees also have the option of paying for additional life insurance benefits above the basic level. The School also provides short term disability benefits for eligible employees. Employees have the option of paying for long term disability benefits.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School contracted with Philadelphia Insurance Co. for insurance as follows:

Insurance Type	Coverage	Deductible
Property Insurance	$ 250,000	$ 2,500
Business Interruption	250,000	-
Computer Equipment, Data, Software	140,000	500
Crime - Employee Theft, Dishonesty	250,000	2,500
General Liability	1,000,000 per occurrence/2,000,000 aggregate	-
Personal and Advertising Injury	1,000,000 per occurrence/2,000,000 aggregate	
Abuse/Molestation	1,000,000 per person/2,000,000 aggregate	-
Ohio Stop Gap Liability	1,000,000	-
Professional Liability	1,000,000 each incident/2,000,000 aggregate	-
Auto - Hired and Non-Owned Auto	1,000,000	-
Directors and Officers	2,000,000 per occurrence/4,000,000 aggregate	-
Employment Practices	2,000,000 per occurrence/4,000,000 aggregate	-
Workplace Violence	1,000,000 per occurrence/4,000,000 aggregate	-
Accident Medical Expense Benefits	25,000 maximum	-
Umbrella Policy - Auto, General, Stop Gap, Professional Liability	5,000,000 per occurrence/annual aggregate	-

The amount of settlements did not exceed insurance coverage for any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. No premium was owed as of June 30, 2017. The amount prepaid for the period July 1, 2017, through December 31, 2017, is included in prepaid assets.

NOTE 11 – COMPENSATED ABSENCES

The following is a summary of compensated absences for fiscal year 2017:

	6/30/2016	Additions	Deletions	6/30/2017
Compensated Absences	$53,073	$13,428	$0	$66,501

NOTE 12 - PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased services expenses were as follows:

Rent	$ 379,440
Administrative Support Services (see Note 13 c)	103,000
Program Support Services (see Note 13 c)	72,000
Summer Services	134,480
Placement/Educational Services (see Note 13 b)	5,303,517
College Credit Plus Fees	664
Related Services	171,826
Sponsor Services (see Note 13 a)	42,440
Audit Services	6,561
Attorney and Related Fees	9,495
Professional Memberships and Training/Development	6,899
Professional Services - Medicaid in Schools Program	6,811
Benefits Management Services	734
Other (Advertising, Mail, etc.)	2,692
Insurance	15,779
Computer Consortium and EMIS Services	8,748
Total	$ 6,265,086

NOTE 13 - CONTRACTS

A. Sponsor Contract

The School entered into a three-year contract commencing on July 1, 2014 and continuing through June 30, 2017 with the Educational Service Center of Central Ohio (the “Sponsor”) for sponsorship services. The School pays the Sponsor $160 per full time equivalent per year for these services. Expenses for sponsor services amounted to $42,462 during fiscal year 2017.

B. Placement/Educational Services Contracts

The School entered into service contracts with CCDE to provide for placement and/or educational services to certain students in order to assist the School in meeting the educational needs and to provide the necessary services of the students’ Individual Educational Plans. The required amount due to CCDE under the contracts was $5,303,517. The School paid the full amount owed during fiscal year 2017.

C. Support Services Contract

The School entered into a support services agreement with CCDE for the provision of support services for the period July 1, 2016 through June 30, 2017 in the amount of $180,000. CCDE provides administrative support services in the area of human resources, payroll processing, technology, and data entry and monitoring (EMIS, ODDEX, etc.) totaling $103,000. CCDE also provided staff training/professional development in the amount of $5,000 and program support in the amount of $72,000. Payments to CCDE for these services totaled $180,000 during fiscal year 2017.

NOTE 14 - 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2017.

B. Foundation Funding

The School's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Legislative changes to the funding formula that the Ohio Department of Education is required to use to calculate the School's funding were implemented beginning in the 2014-2015 school year. These changes result in potential adjustments to the School's enrollment information (based on changes made by traditional districts) and funding that extend well past the fiscal year end. The financial statements include a payable of $4,330 for final adjustments for the fiscal year ended June 30, 2017.

NOTE 15 - DEBT

The School had no long term debt outstanding at June 30, 2017. See Note 7 for discussion of net pension liability and Note 11 for compensated absences.

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
School Employee's Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
School's Proportion of the Net Pension Liability	0.0120238%	0.012438%	0.015134%	0.016517%
School's Proportionate Share of the Net Pension Liability	$880,031	$709,741	$765,923	$982,213
School's Covered-Employee Payroll	$373,414	$397,754	$466,767	$347,658
School's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	235.67%	178.44%	164.09%	282.52%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Amounts presented as of the School's measurement date which is the prior fiscal year end

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
School's Proportion of the Net Pension Liability	0.00585384%	0.00478808%	0.00655615%	0.00635014%
School's Proportionate Share of the Net Pension Liability	$1,959,457	$1,323,285	$1,594,683	$1,839,886
School's Covered-Employee Payroll	$615,936	$499,557	$648,807	$571,190
School's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	318.13%	264.89%	245.79%	322.11%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

Amounts presented as of the School's measurement date which is the prior fiscal year end

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions
School Employee's Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$59,252	$52,278	$52,424	$64,694	$48,116	$48,530	$22,846	$22,392	$19,135	$18,852
Contributions in relation to the contractually required contribution	(58,536)	(53,496)	(63,856)	(64,694)	(48,116)	(48,530)	(22,846)	(22,392)	(19,135)	(18,852)
Contribution Deficiency (excess)	716	-1,218	-11,432	0	0	0	0	0	0	0
School Covered-Employee Payroll	$423,226	$373,414	$397,754	$466,767	$347,658	$360,820	$181,750	$165,375	$194,464	$191,971
Contribution as a Percentage of Covered Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$90,864	$86,231	$69,938	$90,833	$74,255	$63,749	$64,418	$48,801	$49,418	$44,785
Contributions in relation to the contractually required contribution	(92,392)	(81,256)	(80,946)	(93,780)	(74,255)	(63,749)	(64,418)	(48,801)	(49,418)	(44,785)
Contribution Deficiency (excess)	-1,528	4,975	-11,008	-2,947	0	0	0	0	0	0
School Covered-Employee Payroll	$649,029	$615,936	$499,557	$648,807	$571,190	$490,375	$495,525	$375,396	$380,135	$344,500
Contribution as a Percentage of Covered Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

Oakstone Community School
Franklin County
5747 Cleveland Avenue
Columbus, Ohio 43231

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 the Oakstone Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 7, 2018.

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.

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

March 7, 2018

Dave Yost • Auditor of State

OAKSTONE COMMUNITY 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 27, 2018

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