

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE PERIOD
JULY 1, 2014 THROUGH SEPTEMBER 30, 2015*

RICK BERDINE, TREASURER



Dave Yost • Auditor of State

Governing Board
Imagine Schools on Superior
1500 Superior Avenue NE
Canton, Ohio 44705

We have reviewed the *Independent Auditor's Report* of the Imagine Schools on Superior, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through September 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Imagine Schools on Superior is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 3, 2016

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**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Imagine Schools on Superior
Stark County
1500 Superior Avenue NE
Canton, Ohio 44705

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Imagine Schools on Superior, Stark County, Ohio, as of and for the period July 1, 2014 through September 30, 2015, and the related notes to the financial statements, which collectively comprise the Imagine Schools on Superior'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 Imagine Schools on Superior'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 Imagine Schools on Superior's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Imagine Schools on Superior, Stark County, Ohio, as of September 30, 2015, and the changes in its financial position and its cash flows for the period July 1, 2014 through September 30, 2015 in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, for the period July 1, 2014 through September 30, 2015, the Imagine Schools on Superior adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

The accompanying financial statements have been prepared assuming the Imagine Schools on Superior will continue as a going concern. As described in Note 16 to the financial statements, the Ohio Department of Education (the "Sponsor") has suspended operations of the Imagine Schools on Superior. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, on our consideration of the Imagine Schools on Superior'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 Imagine Schools on Superior's internal control over financial reporting and compliance.



Julian & Grube, Inc.
January 26, 2016

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

The discussion and analysis of the Imagine Schools on Superior's (the "School") financial performance provides an overall review of the School's financial activities for the fifteen month period ended September 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the fifteen month period July 1, 2014 through September 30, 2015 are as follows:

- In total, net position (deficit) was \$1,803,484 at September 30, 2015.
- The School had operating revenues of \$1,069,461, operating expenses of \$1,255,174 and non-operating revenues of \$203,938 for the fifteen month period July 1, 2014 through September 30, 2015. The operating loss was \$185,713 and the change in net position was an increase of \$18,225.

Using these Basic Financial Statements

This 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 the period July 1, 2014 through September 30, 2015?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, 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 will take into account all of the current fifteen month period's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in that 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 8 and 9 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 10 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

The table below provides a summary of the School's net position for the period July 1, 2014 through September 30, 2015 and fiscal year 2014. Balances at June 30, 2014 have been restated as described in Note 3 to the basic financial statements.

Net Position

	2015	Restated 2014
<u>Assets</u>		
Current assets	\$ 117,854	\$ 39,519
<u>Deferred outflows of resources</u>	81,577	77,714
<u>Liabilities</u>		
Current liabilities	117,411	43,381
Non-current liabilities	1,658,503	1,895,561
Total liabilities	1,775,914	1,938,942
<u>Deferred inflows of resources</u>	227,001	-
<u>Net Position</u>		
Unrestricted (deficit)	(1,803,484)	(1,821,709)
Total net position	\$ (1,803,484)	\$ (1,821,709)

During the fifteen month period ended September 30, 2015, the School adopted GASB Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include for the fifteen months ended pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from a deficit \$393,862 to \$1,821,709.

Over time, net position can serve as a useful indicator of a government's financial position. At September 30, 2015 and June 30, 2014, the School's net position totaled a deficit \$1,803,484 and \$1,821,709, respectively.

Current assets represent cash, accounts and intergovernmental receivables. The School reported an intergovernmental receivable for grants at September 30, 2015 and June 30, 2014, in the amount of \$7,689 and \$17,133, respectively. As a result of the full-time equivalency review by the Ohio Department of Education for fiscal year 2015 an intergovernmental receivable in the amount of \$1,573 was reported at September 30, 2015. The School reported accounts receivable of \$108,306 at September 30, 2015 for amounts due from Imagine for overpayment of State foundation revenue due to the Ohio Department of Education's second FTE review (see Note 15.B for detail).

Current liabilities of \$9,105 and \$43,381 at September 30, 2015 and June 30, 2014, respectively, represent accounts and intergovernmental payables for professional services. Included in current liabilities at September 30, 2015, is an intergovernmental payable in the amount of \$108,306 due to the Ohio Department of Education's second FTE review.

Long-term liabilities of \$390,000 at September 30, 2015 and June 30, 2014, represents advances payable to the School's operating company for covering operating expenses (see Note 10 for detail).

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

The table below shows the changes in net position for the period July 1, 2014 through September 30, 2015 and fiscal year 2014. Certain amounts for 2014 have been restated as described in Note 3 to the basic financial statements.

Change in Net Position

	<u>2015</u>	<u>2014</u>
<u>Operating Revenue:</u>		
State foundation	\$ 1,069,461	\$ 824,214
Total operating revenue	<u>1,069,461</u>	<u>824,214</u>
<u>Operating Expenses:</u>		
Purchased services	1,255,174	1,223,895
Other	<u>-</u>	<u>187</u>
Total operating expenses	<u>1,255,174</u>	<u>1,224,082</u>
<u>Non-operating Revenue:</u>		
Federal and state grants	<u>203,938</u>	<u>247,824</u>
Total non-operating revenue	<u>203,938</u>	<u>247,824</u>
Change in net position	18,225	(152,044)
Net position (deficit) at beginning of year (restated)	<u>(1,821,709)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ (1,803,484)</u>	<u>\$ (1,821,709)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$77,714 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the period July 1, 2014 through September 30, 2015 statements report pension expense of \$55,823.

Consequently, in order to compare the period July 1, 2014 through September 30, 2015 total operating expenses to fiscal year 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$ 1,255,174
Pension expense under GASB 68	(55,823)
2015 contractually required contributions	<u>69,743</u>
Adjusted 2015 operating expenses	1,269,094
Total 2014 operating expenses under GASB 27	<u>1,224,082</u>
Increase in operating expenses not related to pension	<u>\$ 45,012</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015**

Enrollment increased from 114 students in fiscal year 2014 to 138 students in fiscal year 2015. The School relies on State foundation revenues for operations, with 83.98 and 76.88 percent of total revenues coming from State foundation for the period July 1, 2014 through September 30, 2015 and fiscal year 2014, respectively. Federal and State grants include monies received during the fifteen month period ended September 30, 2015 from the Federal breakfast and lunch, Title VI-B, Title I, and Improving Teacher Quality programs. The School contracted with Imagine Schools, Inc. for management services for the fifteen month period ended September 30, 2015 and fiscal year 2014 (see Note 9.B to the notes to the financial statements for detail).

Debt

With exception to advances payable, the School had no debt obligations outstanding at September 30, 2015 or June 30, 2014.

Capital Assets

The School had no capital assets to report at September 30, 2015 or June 30, 2014.

Restrictions and Other Limitations

The future stability of the School is not without challenges. The School does not receive any funds from taxes. The primary source of funding is the State foundation program. An economic slowdown in the State could result in budgetary cuts to education, which would have a negative impact on the School.

Current Financial Related Activities

The School is sponsored by the Office of School Sponsorship. The School is reliant upon State foundation monies and Federal Grants to offer quality, educational services to students. The School's operations were suspended by the Office of School Sponsorship on July 7, 2015. A determination will be made by June 30, 2016 if the School will resume operations.

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 Mr. Richard Berdine, Treasurer, Imagine Schools on Superior, 1500 Superior Avenue NE, Canton, Ohio 44705.

**BASIC
FINANCIAL STATEMENTS**

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Assets:	
Current assets:	
Cash	\$ 286
Receivables:	
Accounts	108,306
Intergovernmental.	<u>9,262</u>
Total assets	<u>117,854</u>
 Deferred outflows of resources:	
Pension - STRS	53,445
Pension - SERS.	28,132
Total deferred outflows of resources	<u>81,577</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	9,105
Intergovernmental payable	<u>108,306</u>
Total current liabilities	<u>117,411</u>
Long-term liabilities:	
Advances payable to operating company.	390,000
Net pension liability.	<u>1,268,503</u>
Total non-current liabilities	<u>1,658,503</u>
Total liabilities.	<u>1,775,914</u>
 Deferred inflows of resources:	
Pension - STRS	172,115
Pension - SERS.	<u>54,886</u>
Total deferred inflows of resources	<u>227,001</u>
 Net position:	
Unrestricted (deficit)	<u>(1,803,484)</u>
Total net position (deficit).	<u>\$ (1,803,484)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

Operating revenues:	
State foundation	\$ 1,069,461
Total operating revenues	<u>1,069,461</u>
Operating expenses:	
Purchased services.	1,255,174
Total operating expenses.	<u>1,255,174</u>
Operating loss	<u>(185,713)</u>
Non-operating revenues:	
Federal and State grants.	203,938
Total non-operating revenues	<u>203,938</u>
Change in net position.	18,225
Net position (deficit) at beginning of year (restated)	<u>(1,821,709)</u>
Net position (deficit) at end of year	<u>\$ (1,803,484)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

Cash flows from operating activities:	
Cash received from State foundation.	\$ 1,152,257
Cash payments for purchased services	<u>(1,366,196)</u>
Net cash used in operating activities	<u>(213,939)</u>
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	<u>213,382</u>
Net cash provided by noncapital financing activities.	<u>213,382</u>
Net decrease in cash	(557)
Cash at beginning of year	<u>843</u>
Cash at end of year	<u><u>\$ 286</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (185,713)
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) in accounts receivable	(86,763)
(Increase) in intergovernmental receivable	(1,573)
(Increase) in deferred outflows - pensions.	(3,863)
(Decrease) in accounts payable	(10,339)
Increase in intergovernmental payable	84,369
(Decrease) in net pension liability.	(237,058)
Increase in deferred inflows - pensions	<u>227,001</u>
Net cash used in operating activities	<u><u>\$ (213,939)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**IMAGINE SCHOOLS ON SUPERIOR
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**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL

Imagine Schools on Superior (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objective is to address the needs of kindergarten through third grade students through a standards based curriculum. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

On May 12, 2010, the School, originally named the Pathways to Success Canton Community School, was approved under contract with the Portage County Educational Service Center commencing on July 1, 2010 and ending on June 30, 2015. The Ohio Department of Education removed the Portage County Educational Service Center as sponsor effective April 27, 2015, and the Office of School Sponsorship (the "Sponsor") assumed sponsorship of the School. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

On July 7, 2015, the operations of the School were suspended by the Sponsor.

For the period July 1, 2010 through November 29, 2010, Multi-State Billing Services, LLC served as the management company for the School. The School began contracting with Imagine Schools, Inc. for most functions effective November 30, 2010 (See Note 9.B for detail), at which time the School was renamed Imagine Schools on Superior.

The School operates under the direction of a Governing Board which must contain at least five Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the School. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Board controls the School's instructional/support facility staffed by employees of the management company who provide services to 138 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) 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, changes in net position, financial position, and cash flows.

**IMAGINE SCHOOLS ON SUPERIOR
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

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

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all 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 total net position. The statement of cash flows reflects how the School's finances meet its cash flow needs.

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. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 have been reported for the following two items related the School's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the School's net pension liability.

E. Budgetary Process

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391 of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**IMAGINE SCHOOLS ON SUPERIOR
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

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

F. Cash

Cash received by the School is reflected as “cash” on the statement of net position. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during the fifteen month period ended September 30, 2015.

G. Capital Assets

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$1,500. The School does not have any infrastructure. 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 had no capital assets over the threshold to report at September 30, 2015.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

I. Intergovernmental Revenues

The School currently participates in the State Foundation, Special Education, Economic Disadvantaged, K-3 Literacy, Limited English, Targeted Assistance, and Facilities Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the period July 1, 2014 through September 30, 2015 totaled \$1,069,461.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. Federal and State grant revenue received during the period July 1, 2014 through September 30, 2015 was \$203,938.

J. Accrued Liabilities and Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net position.

**IMAGINE SCHOOLS ON SUPERIOR
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

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

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.

L. 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 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.

M. 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 - CHANGE IN ACCOUNTING PRINCIPLES

For the period July 1, 2014 through September 30, 2015, the School has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the School's pension plan disclosures, as presented in Note 6, and added required supplementary information which is presented after the notes to the financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. Net position at July 1, 2014 has been restated as follows:

Net position as previously reported	\$ (393,862)
Deferred outflows - payments subsequent to measurement date	77,714
Net pension liability	<u>(1,505,561)</u>
 Restated net position at July 1, 2014	 <u>\$ (1,821,709)</u>

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

NOTE 4 - 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 September 30, 2015, the carrying amount of the School's deposits and the bank balance was \$286. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - RECEIVABLES/PAYABLES

Receivables at September 30, 2015, consisted of accounts receivable and intergovernmental receivables arising from grants and entitlements and amounts due from other governments. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivable:	<u>Amount</u>
Title VI-B	\$ 1,069
Title I	6,181
Improving Teacher Quality	439
Ohio Department of Education - FY15 enrollment and full-time equivalency adjustment	<u>1,573</u>
Total intergovernmental receivables	<u>\$ 9,262</u>

Under the terms of the operating contract with Imagine Schools, Inc. (See Note 9.B for detail), the School has recorded accounts payable to Imagine Schools, Inc. in the amount of \$7,689, for 100 percent of any State and Federal grant monies uncollected or unpaid as of September 30, 2015 and \$1,416 for 90 percent of the amount of the Ohio Department of Education adjustment receivable at September 30, 2015.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS

The School has contracted with Imagine Schools, Inc. (See Note 9.B) to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS - (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 period July 1, 2014 through September 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was \$25,254 for the fifteen month period ended September 30, 2015.

Plan Description - State Teachers Retirement System (STRS)

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

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (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.

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 period July 1, 2014 through September 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The period July 1, 2014 through September 30, 2015 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$44,489 for the fifteen month period ended September 30, 2015.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 338,172	\$ 930,331	\$ 1,268,503
Proportion of the net pension liability	0.00668200%	0.00382483%	
Pension expense	\$ 19,734	\$ 36,089	\$ 55,823

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 2,878	\$ 8,956	\$ 11,834
School contributions subsequent to the measurement date	<u>25,254</u>	<u>44,489</u>	<u>69,743</u>
Total deferred outflows of resources	<u>\$ 28,132</u>	<u>\$ 53,445</u>	<u>\$ 81,577</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 54,886</u>	<u>\$ 172,115</u>	<u>\$ 227,001</u>

\$69,743 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 nine month period ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

Period Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (13,002)	\$ (40,790)	\$ (53,792)
2017	(13,002)	(40,790)	(53,792)
2018	(13,002)	(40,790)	(53,792)
2019	<u>(13,002)</u>	<u>(40,789)</u>	<u>(53,791)</u>
Total	<u>\$ (52,008)</u>	<u>\$ (163,159)</u>	<u>\$ (215,167)</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School's proportionate share of the net pension liability	\$ 482,471	\$ 338,172	\$ 216,804

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$ 1,331,870	\$ 930,331	\$ 590,764

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - Imagine Schools, Inc., on behalf of 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7 - POSTEMPLOYMENT BENEFITS - (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 the period July 1, 2014 through September 30, 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For the period July 1, 2014 through September 30, 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fifteen month period ended September 30, 2015, the School's surcharge obligation was \$794.

The School's contributions for health care for the fifteen month period ended September 30, 2015, and the fiscal years ended 2014, and 2013 were \$1,571, \$323, and \$198, respectively. The full amount has been contributed for the fifteen month period ended September 30, 2015, and the fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description - Imagine Schools, Inc., on behalf of 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 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 the period July 1, 2014 through September 30, 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fifteen month period ended September 30, 2015, and the fiscal years ended June 30, 2014, and 2013 were \$0, \$3,668, and \$6,150 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 8 - RISK MANAGEMENT

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 period July 1, 2014 through September 30, 2015, the School maintained the following coverage with WRM America:

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Medical expenses	5,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	1,000,000
Products - aggregate	2,000,000
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	5,000,000
Aggregate	5,000,000
Professional liability:	
Per claim	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded commercial coverage in the past three years. There was a reduction in period coverage from the prior fiscal year for general liability medical expenses, excess/umbrella liability, personal property and workers compensation and employers liability.

NOTE 9 - CONTRACTS

A. Sponsor Contract

The School entered into a sponsorship contract commencing on July 1, 2010 and ending on June 30, 2015 with the Portage County Educational Service Center for its establishment. The Ohio Department of Education removed the Portage County Educational Service Center as sponsor effective April 27, 2015, and the Office of School Sponsorship (the "Sponsor") assumed sponsorship of the School. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the School's compliance with the laws applicable to the School and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the School on at least an annual basis;
- Provide reasonable technical assistance to the School in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the School);

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 9 - CONTRACTS - (Continued)

- Take steps to intervene in the School's operation to correct problems in the School's overall performance, declare the School to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor; and
- Establish and/or require a plan of action to be undertaken if the School experiences financial difficulties or losses before the end of the school year.

The School paid Portage County Educational Service Center \$26,794 and the Office of School Sponsorship \$5,256 for services during the period July 1, 2014 through September 30, 2015.

B. Operating Contract

The School entered into an operating contract with Imagine Schools, Inc. for management consulting services. The contract shall continue until termination or expiration without renewal of the charter. Imagine Schools, Inc. is required to provide the following services:

- Personnel and human resources administration
- Program of instruction
- Purchasing and contracts
- Budgeting, financial reporting and audit preparation
- Compliance issues
- Curriculum research and development
- Marketing and publicity
- Equipment and facilities
- Grant preparation and management

For the services listed above, the School is required to pay a fee to Imagine Schools, Inc. The fee is equal to approximately 90 percent of the total per pupil allowance received from the State of Ohio and of State and/or Federal grant funds received by the School for the creation and operation of its school. Imagine Schools, Inc. charges the School (retains) an amount equaling the excess of unrestricted revenue over expense. Payments to Imagine Schools, Inc. amounted to \$1,136,883 during the fifteen month period ended September 30, 2015.

C. Computer Services Contract

The School entered into a contract on June 30, 2014, with the North Central Ohio Computer Cooperative/Heartland Council of Governments (NCOCC/H-COG) for computer services. The contract is in effect from July 1, 2014, until a successive contract is approved. Imagine Schools, Inc., on behalf of the School, paid NCOCC/H-COG for services provided during the fifteen month period ending September 30, 2015.

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 10 - ADVANCES PAYABLE TO OPERATING COMPANY

At June 30, 2014, the School had a balance of \$390,000 in advances payable to Imagine Schools, Inc. to cover operating expenses. In accordance with the School's operating contract with Imagine Schools, Inc. a payable will be recorded for the unpaid amount of \$390,000 outstanding at September 30, 2015. Per the operating contract, Imagine may charge an interest rate of up to 10 percent on advances not repaid in the same fiscal year. A payment schedule has not been established.

NOTE 11 - LONG-TERM OBLIGATIONS

The School's long-term obligations during the year consist of the following:

	Restated Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>September 30, 2015</u>	Amounts Due in <u>One Year</u>
Net pension liability:					
STRS	\$ 1,108,204	\$ -	\$ (177,873)	\$ 930,331	\$ -
SERS	<u>397,357</u>	<u>-</u>	<u>(59,185)</u>	<u>338,172</u>	<u>-</u>
Total net pension liability	<u>1,505,561</u>	<u>-</u>	<u>(237,058)</u>	<u>1,268,503</u>	<u>-</u>
Advances payable to operating company	<u>390,000</u>	<u>-</u>	<u>-</u>	<u>390,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 1,895,561</u>	<u>\$ -</u>	<u>\$ (237,058)</u>	<u>\$ 1,658,503</u>	<u>\$ -</u>

Net Pension Liability: See Note 3 and Note 6 for information on the School's net pension liability.

Advances Payable to Operating Company: See Note 10 for information on the School's advances payable to operating company.

NOTE 12 - OPERATING COMPANY EXPENSES

For the fifteen month period ended September 30, 2015, Imagine Schools, Inc. and its affiliates incurred the following expenses (reported on cash-basis) on behalf of the School:

Direct Expenses:	
Salaries and wages	\$ 509,540
Employees' benefits	161,175
Purchased services	286,440
Supplies and materials	35,454
Other direct costs	34,503
Indirect Expenses	<u>138,628</u>
Total Expenses	<u>\$ 1,165,740</u>

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 12 - OPERATING COMPANY EXPENSES - (Continued)

Overhead charges included in other direct costs are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services in the operation of the School. Such services include, but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

NOTE 13 - PURCHASED SERVICES EXPENSES

For the fifteen month period ended September 30, 2015, purchased services expenses were as follows:

Operating fees	\$ 1,136,883
Sponsorship fees	32,050
Operating lease payments	74,266
Communications	28
Professional and technical services	<u>11,947</u>
Total	<u>\$ 1,255,174</u>

NOTE 14 - OPERATING LEASE

The School entered into a lease agreement on August 1, 2012, with Schoolhouse Finance, LLC (“SHF”) to lease classroom space for the School. The term of the lease commenced August 1, 2012, and terminated on July 31, 2013 (the Initial Term). After the Initial Term, the lease shall continue automatically from year to year so long as the School’s charter remains in effect. The School shall pay SHF \$66,000 in annual base rent payable in advance in monthly installments of \$5,500 each on the fifteenth day of each month of the Initial Term. The base rent shall be modified at the commencement of each subsequent renewal lease year such that the base rent in effect during a renewal lease year shall equal the base rent in effect during the immediately preceding lease year, increased or decreased by the percentage difference, if any, in the Consumer Price Index as reported by the Bureau of Labor Statistics. The modified base rent shall remain in effect for a period of twelve months. The lease is a net lease and the School shall also pay to SHF additional rent for real property tax and assessments, personal property taxes, insurance premiums, and sales tax.

The School made \$74,266 in operating lease payments during July 1, 2014 through September 30, 2015.

NOTE 15 - 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 September 30, 2015.

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015

NOTE 15 - CONTINGENCIES - (Continued)

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which State foundation funding is calculated. As a result of the first fiscal year 2015 review, the School is due \$1,573 from ODE. This amount has been reported as an intergovernmental receivable on the statement of net position. As a result of the second fiscal year review, the School owes ODE \$108,306. This amount has been reported as an intergovernmental payable on the statement of net position. The School has set up a plan to repay this amount in two installment payments (January 2016 and February 2016). As of the date of this report, the first installment has been made.

C. Litigation

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

NOTE 16 - GOING CONCERN

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the School as a going concern.

The School's sponsor has suspended its operations for fiscal year 2016. A determination will be made by June 30, 2016 by the Ohio Department of Education if the School will resume operations.

NOTE 17 - SUBSEQUENT EVENTS

The Sponsor suspended operations of the School on July 7, 2015, due to the School's academic performance. The School's sponsorship will be reevaluated on June 30, 2016 and will make an official statement in regards to the final status of the School. The following is a schedule of all receipts and expenditure transactions which occurred subsequent to September 30, 2015.

Receipt	Expenditure	Payee/Vendor	Description
	\$ 15.13	FirstMerit Bank	September Bank Charge
	\$ 14.98	FirstMerit Bank	October Bank Charge
\$ 1,069.57		Ohio Department of Education	IDEA Special Education Part B Payment
\$ 6,180.66		Ohio Department of Education	Title I Payment
\$ 438.88		Ohio Department of Education	Title II-A Payment
	\$ 7,689.11	Imagine Schools, Inc.	Management Payment
\$ 14.92		FirstMerit Bank	November Bank Charge
	\$2,310.00	Julian & Grube, Inc.	September 30, 2015 Compilation
	\$4,400.00	Julian & Grube, Inc.	September 30, 2015 Audit

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REQUIRED SUPPLEMENTARY INFORMATION

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
School's proportion of the net pension liability	0.00668200%	0.00668200%
School's proportionate share of the net pension liability	\$ 338,172	\$ 397,357
School's covered-employee payroll	\$ 194,163	\$ 123,685
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	321.27%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability	0.00382483%	0.00382483%
School's proportionate share of the net pension liability	\$ 930,331	\$ 1,108,204
School's covered-employee payroll	\$ 390,792	\$ 614,954
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	180.21%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

SCHEDULE OF SCHOOL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 25,254	\$ 26,911	\$ 17,118	\$ 12,105	\$ 12,929
Contributions in relation to the contractually required contribution	<u>(25,254)</u>	<u>(26,911)</u>	<u>(17,118)</u>	<u>(12,105)</u>	<u>(12,929)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School's covered-employee payroll	\$ 191,608	\$ 194,163	\$ 123,685	\$ 90,000	\$ 102,856
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

Note: The School began operations in fiscal year 2011; therefore, information prior to fiscal year 2011 is not applicable.

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 44,489	\$ 50,803	\$ 79,944	\$ 40,666	\$ 17,439
Contributions in relation to the contractually required contribution	<u>(44,489)</u>	<u>(50,803)</u>	<u>(79,944)</u>	<u>(40,666)</u>	<u>(17,439)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School's covered-employee payroll	\$ 317,779	\$ 390,792	\$ 614,954	\$ 312,815	\$ 134,146
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

Note: The School began operations in fiscal year 2011; therefore, information prior to fiscal year 2011 is not applicable.

**IMAGINE SCHOOLS ON SUPERIOR
STARK COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and the fifteen month period July 1, 2014 through September 30, 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and the fifteen month period July 1, 2014 through September 30, 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and the fifteen month period July 1, 2014 through September 30, 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and for the fifteen month period July 1, 2014 through September 30, 2015. See the notes to the basic financials for the methods and assumptions in this calculation.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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*

Imagine Schools on Superior
Stark County
1500 Superior Avenue NE
Canton, Ohio 44705

To the Governing Board:

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 Imagine Schools on Superior, Stark County, Ohio, as of and for the period July 1, 2014 through September 30, 2015, and the related notes to the financial statements, which collectively comprise the Imagine Schools on Superior's basic financial statements and have issued our report thereon dated January 26, 2016, wherein we noted as discussed in Note 3, the Imagine Schools on Superior adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. We also noted as discussed in Note 16, the Imagine Schools on Superior had its operations suspended by its sponsor and will continue as a going concern.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Imagine Schools on Superior'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 Imagine Schools on Superior'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 Imagine Schools on Superior'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.

Governing Board
Imagine Schools on Superior

Compliance and Other Matters

As part of reasonably assuring whether the Imagine Schools on Superior'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 Imagine Schools on Superior's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Imagine Schools on Superior's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 26, 2016



Dave Yost • Auditor of State

IMAGINE SCHOOLS ON SUPERIOR

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 17, 2016**