CANTON HARBOR HIGH SCHOOL

STARK COUNTY

Audit Report

For the Year Ended June 30, 2017

Charles E. Harris & Associates
certified public accountants & government consultants

Dave Yost • Auditor of State

Board of Education
Canton Harbor High School
1731 Grace Ave., NE
Canton, Ohio 44705

We have reviewed the *Independent Auditor's Report* of the Canton Harbor High School, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Canton Harbor High School is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

March 7, 2018

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CANTON HARBOR HIGH SCHOOL
STARK COUNTY
AUDIT REPORT
For the Year Ending June 30, 2017

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT

Canton Harbor High School
Stark County
1731 Grace Avenue NE
Canton, Ohio 44705

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the Canton Harbor High School, Stark 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
December 1, 2017

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CANTON HARBOR HIGH SCHOOL
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The discussion and analysis of Canton Harbor High School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2017. Readers should also review the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The School's existence began July 1, 2004. Key financial highlights for fiscal year 2017 are as follows:

- Total net position increased $14,368 in fiscal year 2017
- Total revenue increased from $1,035,991 in fiscal year 2016 to $1,069,791 in fiscal year 2017.
- Total expenses increased from $883,581 in fiscal year 2016 to $1,055,423 in fiscal year 2017.
- Current liabilities decreased $39,187 and current assets decreased $102,590 in fiscal year 2017.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect "How the School did financially during fiscal year 2017?" These statements include all assets and deferred outflows of resources; and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

CANTON HARBOR HIGH SCHOOL
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Statement of Net Position

Table 1 provides a summary of the School's net position as of June 30, 2017 compared to the prior year.

(Table 1)
Statement of Net Position

	2017	2016
Assets		
Current Assets	$ 421,171	$ 523,761
Capital Assets, net	138,942	26,592
Total Assets	560,113	550,353
Deferred Outflows of Resources	399,166	141,087
Liabilities		
Current Liabilities	48,442	87,629
Long Term Liabilities	1,317,568	935,718
Total Liabilities	1,366,010	1,023,347
Deferred Inflows of Resources	76,407	165,599
Net Position		
Investment in Capital Assets	138,942	26,592
Unrestricted	(622,080)	(524,098)
Total Net Position	$ (483,138)	$ (497,506)

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

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

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

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

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

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

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources. The School is also reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Current assets decreased in 2017 by $102,590 due to the completion of leasehold improvements. Current liabilities decreased $39,187, due to a decrease in accrued wages and benefits caused by timing of payroll. Long term liabilities increased $381,850 due to change in the net pension liability.

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2017, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader whether, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The revenue generated by the School is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 92% of revenues for the School in fiscal year 2017. Enrollment during the school year ranged from 112 to 119 students as compared to 88 to 98 in 2016. Projected enrollment for fiscal year 2018 is expected to average 116 students.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

(Table 2)
Change in Net Position

	2017	2016
Operating Revenue		
Foundation	$ 983,195	$ 926,481
Other Operating Revenues	6,408	5,356
Non-Operating Revenue		
Grants	80,008	104,019
Interest Income	180	135
Total Revenues	1,069,791	1,035,991
Operating Expenses		
Salaries	542,990	499,758
Fringe Benefits	186,077	100,827
Purchased Services	127,135	107,891
Materials and Supplies	48,875	51,189
Insurance	16,525	15,442
Rent	74,688	68,519
Sponsor Fees	34,235	32,071
Depreciation	24,898	7,884
Total Expenses	1,055,423	883,581
Total Change in Net Position	$ 14,368	$ 152,410

The increase in operating revenue can be attributed to an increase in foundation revenue due to increased enrollment. The decrease in non-operating revenue can be attributed to a decrease in grants from federal programs. The increase in salaries and benefits can be attributed to the addition of administrative positions due to increased enrollment. The increase in purchased services can be attributed to an increase in information technology services.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community high schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community high school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets

At the end of fiscal year 2017 the School had $138,942 in net capital assets. See Note 4 for more detail on the School's capital assets.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase by 10% to 15%. A re-branding process was initiated at the beginning of fiscal year 2015. A name change for the School was approved by the Sponsor, Secretary of State and the Ohio Department of Education. The School is now known as Canton Harbor High School. The administration continues to enlighten the community about Canton Harbor High School through a marketing campaign centered on the school's excellent educational programs and improving test scores.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Joseph L. DiRuzza, CFO, Canton Harbor High School, 1731 Grace Avenue, NE., Canton, Ohio 44705-2261.

CANTON HARBOR HIGH SCHOOL
STARK COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	$ 396,503
Receivables:	
Accounts	16,299
Grants	857
Prepaid Expenses	7,512
Total Current Assets	421,171
Noncurrent Assets	
Capital Assets:	
Depreciable Capital Assets	235,253
Accumulated Depreciation	(96,311)
Capital Assets, Net	138,942
Total Assets	560,113
Deferred Outflows of Resources	
Pension:	
SERS	166,373
STRS	232,793
Total Deferred Outflows of Resources	399,166
Liabilities	
Current Liabilities	
Accounts Payable	3,774
Accrued Wages	42,282
Intergovernmental Payable	2,386
Total Current Liabilities	48,442
Long-Term Liabilities	
Due in More Than One Year	
Net Pension Liability (See Note 7)	1,317,568
Total Liabilities	1,366,010
Deferred Inflows of Resources	
Pension:	
STRS	76,407
Total Deferred Inflows of Resources	76,407
Net Position	
Investment in Capital Assets	138,942
Unrestricted	(622,080)
Total Net Position	$ (483,138)

See accompanying notes to the basic financial statements.

CANTON HARBOR HIGH SCHOOL
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenues	
Foundation	$ 983,195
State Distributed Casino Revenue	5,099
Other Operating Revenues	1,309
Total Operating Revenues	989,603
Operating Expenses	
Salaries	542,990
Fringe Benefits	186,077
Purchased Services	127,135
Materials and Supplies	48,875
Insurance	16,525
Rent	74,688
Sponsor Fee	34,235
Depreciation	24,898
Total Operating Expenses	1,055,423
Operating Income (Loss)	(65,820)
Non-Operating Revenues	
Interest Income	180
Grants	80,008
Total Non-Operating Revenues	80,188
Change in Net Position	14,368
Net Position Beginning of Year	(497,506)
Net Position End of Year	$ (483,138)

See accompanying notes to the basic financial statements.

CANTON HARBOR HIGH SCHOOL
STARK COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From State	$ 975,522
Other Cash Receipts	1,309
Cash Payments to Employees for Services	(578,687)
Cash Payments for Employee Benefits	(151,498)
Cash Payments for Goods and Services	(185,152)
Other Cash Payments	(125,448)
Net Cash Provided by (Used for) Operating Activities	(63,954)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(137,248)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants Received	80,008
Interest Income	180
Net Cash Provided by (Used for) Non-Capital Financing Activities	80,188
Net Increase (Decrease) in Cash and Cash Equivalents	(121,014)
Cash and Cash Equivalents Beginning of Year	517,517
Cash and Cash Equivalents End of Year	$ 396,503
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating Income (Loss)	$ (65,820)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Depreciation	24,898
Changes in Assets, Liabilities and Deferred Outflows/Inflows of Resources:	
Intergovernmental Receivable	4,384
Accounts Receivable	(16,299)
Grants Receivable	(857)
Prepaid Expenses	(5,652)
Deferred Outflows - SERS	(90,769)
Deferred Outflows - STRS	(167,310)
Accounts Payable	3,586
Accrued Wages	(35,697)
Net Pension Liability	381,850
Deferred Inflows - SERS	(4,754)
Deferred Inflows - STRS	(84,438)
Inergovernmental Payable	(7,076)
Net Cash (Used in) Operating Activities	$ (63,954)

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

1. DESCRIPTION OF THE ENTITY

Canton Harbor High School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. 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. On July 28, 2014, the School changed its name from "Project REBUILD Community High School" to its current operating name. Classified as a drop-out recovery high school by the Ohio Department of Education (ODE), the purpose of the School is to re-engage out-of-school youth to complete a high school diploma while learning marketable skills.

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 was approved for operation from July 1, 2004 to June 30, 2009 under a contract by and between the Ohio Council of Community Schools (OCCS), as Sponsor, and the Governing Authority of Canton Harbor High School, dated April 7, 2004. The School commenced official operation on July 1, 2004. The OCCS has continued to sponsor the School over the years and recently granted a new five year contract, commencing on July 1, 2015 and will expire June 30, 2020. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board oversees the School's principal, treasurer, assistant treasurer, dean of students, EMIS coordinator/school secretary and test coordinator. They also watch over six certified full-time teaching personnel and two intervention specialists. In all, an average daily membership (ADM) of 114 students were provided services during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives 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, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community high schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5075, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705, except for Section 5705.391 as it relates to five-year forecasts.

Cash

Cash held by the School is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Cash equivalents mature in three months or less. All monies received by the School are deposited in a demand deposit account.

Capital Assets and Depreciation

Capital assets and improvements, except for construction in progress, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their aquisition value as of the date received. The School maintains a capitalization threshold of $750 for all capital assets.

The School does not capitalize interest. 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. Improvements, however, are capitalized. Leasehold improvements and furniture and fixtures are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated over the remaining life of the lease, or the useful life of the improvements, whichever is shorter. The following is the estimated useful lives for furniture and fixtures and leasehold improvements.

Assets	Useful Life
Furniture and Fixtures	5 years
Leasehold Improvements	1 - 20 years

Intergovernmental Revenues

The School currently participates in the State Foundation Program and State Disadvantaged Pupil Impact Aid Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements, non-exchange transactions in which the School receives value without directly giving equal value in return, are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenue. Amounts awarded under the above programs for the 2017 school year totaled $80,008.

Compensated Absences

Leave benefits are not accrued as a liability for the School. Personal leave is to be used during the contract year with no provision for carry over from one school year to the next. Unused sick leave may be accumulated up to forty-five (45) days maximum; however, accumulated sick leave balances are forfeited upon termination of employment. Vacation leave is scheduled in advance according to the school calendar.

Pension

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 7).

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their 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. At June 30, 2017, there was no net position restricted by enabling legislation.

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

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 other revenues and expenses are reported as non-operating.

Prepaid Items

Payments made to vendors 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 purchase by the School and an expense is recorded when used. The School had prepaid items at June 30, 2017 of $7,512 for bus passes, rent, and gift cards.

Implementation of New Accounting Policies

For the fiscal year ended June 30, 2017, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

3. CASH

At June 30, 2017, the carrying amount of the School's deposits was $396,503. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, the bank balance was $416,156, all of which was covered by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2017 or during the fiscal year.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

4. CAPITAL ASSETS

A summary of the School's capital assets is a follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 3,444	$ 0	$ 3,444	$ 0
Capital Assets Being Depreciated:				
Leasehold Improvements	$ 13,950	$ 113,486	$ 0	$ 127,436
Furniture and Fixtures	80,612	27,206	0	107,818
	94,562	140,692	0	235,254
Less Accumulated Depreciation:				
Leasehold Improvements	(12,856)	(12,090)	0	(24,946)
Furniture and Fixtures	(58,558)	(12,808)	0	(71,366)
	(71,414)	(24,898)	0	(96,312)
Capital Assets, Net	$ 26,592	$ 115,794	$ 3,444	$ 138,942

5. LONG-TERM LIABILITIES

During the fiscal year 2017, the following activity occurred in long-term liabilities:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Net Pension Liability:				
STRS	610,904	239,531	0	850,435
SERS	324,814	142,319	0	467,133
Total Long-Term Liabilities	$ 935,718	$ 381,850	$ 0	$ 1,317,568

Net Pension Liability: The School pays obligations related to employee compensation from the fund benefiting from their service.

6. RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2017, the School contracted with Philadelphia Insurance Company for property and general liability insurance with limits of $11,000,000 each occurrence and $11,000,000 in the aggregate. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2017.

7. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

The 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 the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 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 $31,873 for fiscal year 2017. Of this amount, $2,256 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent 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 at 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 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 service. 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 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 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 Ohio Revised Code. 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 percent; the entire 14 percent was the portion 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 $53,351 for fiscal year 2017. Of this amount, $5,099 is reported as an intergovernmental payable.

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

The net pension liability was measured as of July 1 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 employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 850,435	$ 467,133	$ 1,317,568
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00254066%	0.00638240%	
Prior Measurement Date	0.00221045%	0.00569240%	
Change in Proportionate Share	0.00033021%	0.00069000%	
Pension Expense	$ 53,351	$ 31,873	$ 85,224

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 34,363	$ 6,301	$ 40,664
Net Difference between Projected and Actual Earnings on Pension Plan Investments	70,609	38,530	109,139
Changes of Assumptions	0	31,183	31,183
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	74,470	58,486	132,956
School Contributions Subsequent to the Measurement Date	53,351	31,873	85,224
Total Deferred Outflows of Resources	$ 232,793	$ 166,373	$ 399,166
Deferred Inflows of Resources			
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	$ 76,407	$ 0	$ 76,407

$85,224 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2018	$ 9,769	$ 43,516	$ 53,285
2019	9,771	43,487	53,258
2020	36,863	36,420	73,283
2021	46,632	11,077	57,709
	$ 103,035	$ 134,500	$ 237,535

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
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 7.50 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 earnings were calculated using the long-term assumed investment rate of return (7.50 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 School's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's Proportionate Share of the Net Pension Liability	$ 618,455	$ 467,133	$ 340,470

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 Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on the fifth anniversary of the 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 no set back from age 90 and above.

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

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the 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	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of 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 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 as of June 30, 2016, 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	$ 1,130,160	$ 850,435	$ 614,472

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 School's net pension liability is expected to be significant.

8. POST-EMPLOYMENT BENEFITS

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. 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 fiscal year 2017, the School's surcharge obligation was $504.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School's contributions for health care for the fiscal year ended June 30, 2015, was $1,307. The full amount has been contributed for fiscal year 2015.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School did not contribute to health care in the last three fiscal years.

9. MEDICAL EMPLOYEE BENEFITS

The Canton Harbor High School contracted with Aultcare for a group eligible medical policy for full-time employees of the School. All full-time employees are eligible to select coverage under this plan, once they have been employed by the School for thirty days.

Employees pay 15% of the premium as a payroll withholding in a flat amount depending on the type of coverage chosen. The School paid for the remaining employer portion of the premiums for the School employees. In fiscal year 2012, the School added a dental plan benefit for full-time employees. Employees pay the full premium as a payroll withholding. There was no vision plan available in fiscal year 2017.

10. PURCHASED SERVICES

For the period July 1, 2016 through June 30, 2017, purchased service expenses were for the following services:

Professional Services	$ 64,376
Property Services	6,572
Travel and Meetings	11,192
Communications	28,852
Utilities	881
Trade Services	5,805
Pupil Transportation	9,457
Total	$ 127,135

11. SPONSORSHIP FEES

Under Paragraph D(4) of the sponsor contract with Ohio Council of Community Schools (OCCS), it States that a School"...shall pay to the Sponsor the amount of three percent (3%) of all state funds received by the School each year. Funds received each year with the following exceptions: planning and start-up funds, and grants the School may receive, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract." Such fees are paid to the OCCS monthly. As indicated on the Statement of Revenues, Expenses and Changes in Net Position, the School incurred $34,235 in total fees for 2017. Of this total $27,902 represented sponsorship fees to OCCS, while $6,333 represents other miscellaneous fees.

12. TAX EXEMPT STATUS

In June 2005, the School completed its application and filed for tax exempt status under 501(c)3 of the Internal Revenue Code. On May 10, 2006, the School received notification of IRS approval for tax exempt status under 501(c)3 effective as of March 11, 2004.

13. CONTINGENCIES

Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2017.

School Foundation

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 20 17 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with their Sponsor and software vendor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

14. OPERATING LEASE

Canton Harbor High School (the "Lessee") has an operating lease with J. R. Coleman Senior Outreach Services, Inc., Canton, Ohio (the "Lessor") for a facility for educational purposes. The School signed a new lease for a five year period commencing on July 1, 2016 and ending on June 30, 2021, which included additional instructional classroom space. Lease payments for fiscal year 2017 amounted to $72,096 for the operating lease.

The base rent shall be $6,008 per month for a period of 36 months beginning July 1, 2016 through June 30, 2019. Effective July 1, 2019 through June 30, 2021 the monthly rent will increase to $6,188. Additionally, the School has the right of first refusal to rent any additional space prior to such space being rented to another tenant by the Landlord and the School has the right of first refusal to purchase the building prior to a sale to any other potential buyer.

The School has a right to renew the lease for five additional years beginning July 1, 2021 through June 30, 2026 at the Base Rent of $6,311 per month, July 1, 2021 through June 30, 2024 for $6,311 per month, or July 1, 2024 through June 30, 2026 for $6,500. The School shall notify landlord of its intention to renew for an additional term at least 180 days prior to the end of the original lease term. If the School is notified that it has lost its charter to operate a public school in Ohio after having given notice of the School's intent to renew the lease but before the termination of the lease, the lease will not be renewed and will terminate on June 30, 2021, provided the School gives the landlord notice of losing its charter as soon as possible.

The future minimum payments for this lease is as follows:

Fiscal Year ending June 30:		
2018	$	72,096
2019		72,096
2020		74,256
2021		74,256
2022		75,732
2023		75,732
2024		75,732
2025		78,000
2026		78,000

Canton Harbor High School
Stark County, Ohio
Required Supplementary Information
Schedule of School Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 53,351	$ 36,852	$ 32,621	$ 35,502
Contributions in Relation to the Contractually Required Contribution	(53,351)	(36,852)	(32,621)	(35,502)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 381,079	$ 263,229	$ 233,007	$ 273,092
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 31,873	$ 27,522	$ 22,587	$ 17,956
Contributions in Relation to the Contractually Required Contribution	(31,873)	(27,522)	(22,587)	(17,956)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 227,664	$ 196,586	$ 171,373	$ 129,553
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$ 37,143	$ 40,772	$ 38,966	$ 35,790	$ 43,279	$ 36,012
(37,143)	(40,772)	(38,966)	(35,790)	(43,279)	(36,012)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 285,715	$ 313,631	$ 299,738	$ 275,308	$ 332,915	$ 277,015
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$ 16,936	$ 12,559	$ 13,201	$ 11,416	$ 13,123	$ 3,612
(16,936)	(12,559)	(13,201)	(11,416)	(13,123)	(3,612)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 122,370	$ 93,375	$ 105,020	$ 84,313	$ 133,364	$ 36,782
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Canton Harbor High School
Stark County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
School's Proportion of the Net Pension Liability	0.00254066%	0.00221045%	0.00265588%	0.00265588%
School's Proportionate Share of the Net Pension Liability	$ 850,435	$ 610,904	$ 646,002	$ 769,513
School's Covered Payroll	$ 263,229	$ 233,007	$ 273,092	$ 285,715
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	323.08%	262.18%	236.55%	269.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
School's Proportion of the Net Pension Liability	0.00638240%	0.00569240%	0.00471700%	0.00471700%
School's Proportionate Share of the Net Pension Liability	$ 467,133	$ 324,814	$ 238,725	$ 280,505
School's Covered Payroll	$ 196,586	$ 171,373	$ 129,553	$ 122,370
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	237.62%	189.54%	184.27%	229.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Canton Harbor High School
Stark County
1731 Grace Avenue NE
Canton, Ohio 44705

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Canton Harbor High School, Stark 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 December 1, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
December 1, 2017

Dave Yost • Auditor of State

CANTON HARBOR HIGH SCHOOL

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
MARCH 20, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov