GREAT EXPECTATIONS ELEMENTARY
LUCAS COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Dave Yost • Auditor of State

GREAT EXPECTATIONS ELEMENTARY
LUCAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Great Expectations Elementary
Lucas County
20 Arco Drive
Toledo, Ohio 43607

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Great Expectations Elementary, Lucas County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Expectations Elementary, Lucas County, Ohio as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2013, the School adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. 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*, 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 31, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2014

As management of the Great Expectations Elementary (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Total net position of the School increased $282,933 in fiscal year 2013. Ending net position of the School was $153,968, compared to negative $128,965 at June 30, 2012.

- Total assets increased $187,791 and total liabilities decreased by $95,142 from the prior fiscal year-end.

- The School's operating loss for fiscal year 2013 was $96,897 compared with an operating loss of $176,877 reported for the prior year.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Reporting the School's Financial Activities

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the School is meeting the cash flow needs of its operations.

Financial Analysis

Table 1 provides a summary of the School's net position for the fiscal year ended June 30, 2013, compared to the prior fiscal year.

Table 1
Net Position at Year End

	2013	2012
Assets:		
Current and Other Assets	$ 204,413	$ 72,160
Capital Assets, Net	59,277	3,739
Total Assets	263,690	75,899
Liabilities:		
Current Liabilities	109,722	204,864
Total Liabilities	109,722	204,864
Net Position:		
Net Investment in Capital Assets	59,277	3,739
Restricted	21,827	2,118
Unrestricted	72,864	(134,822)
Total Net Position	$ 153,968	$ (128,965)

Current and Other Assets increased significantly in comparison with the prior fiscal year. The key component of this increase is an increase in cash and cash equivalents as a result of improved cash flows.

Current Liabilities decreased significantly in comparison with the prior fiscal year. The key component of this decrease is a large reduction in accounts payable at year-end, which is related to a decrease in the amount of purchased services expenditures payable at year-end.

The total net position reported for fiscal year 2013 increased by $282,933. The information on the following page demonstrates the details of the increase.

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2013 compared to the prior fiscal year.

Table 2
Changes in Net Position

	2013	2012
Operating Revenues:		
Foundation Revenues	$ 1,305,569	$ 616,646
Total Operating Revenues	1,305,569	616,646
Operating Expenses:		
Salaries and Wages	481,899	293,147
Fringe Benefits	113,501	56,589
Purchased Services	659,617	370,449
Materials and Suppilies	113,971	55,485
Depreciation	5,990	416
Other	27,488	17,437
Total Operating Expenses	1,402,466	793,523
Operating Loss	(96,897)	(176,877)
Nonoperating Revenues		
Federal Grant Revenue	353,191	45,022
State Grant Revenue	20,003	-
Donations and Contributions	1,720	-
Other Nonoperating Revenues	4,916	2,890
Total Nonoperating Revenues	379,830	47,912
Change in Net Position	282,933	(128,965)
Net Position, Beginning of Year	(128,965)	-
Net Position, End of the Year	$ 153,968	$ (128,965)

Total Revenues and Total Operating Expenses both increased significantly in comparison with the prior fiscal year. These increases are the result of increased student enrollment in the School's second year of operations.

Capital Assets

At fiscal year-end, the School's net capital asset balance was $59,277, an increase of $55,538 in comparison with the prior fiscal year. This balance represents current year additions of $61,528 offset by current year depreciation of $5,990. For more information on capital assets, see Note 6 to the basic financial statements.

Debt

At fiscal year-end, the School has no outstanding debt.

Current Financial Issues

The School is dependent upon legislative and governmental support to fund ongoing operations. The School is expected to grow in both the number of students and support staff as it enters the third year of operation, which will impact the School's funding since the School receives a majority of its financial support from per student state foundation payments.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Great Expectations Elementary and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Great Expectations Elementary, 20 Arco Dr., Toledo, Ohio 43607.

GREAT EXPECTATIONS ELEMENTARY
LUCAS COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Assets:		
Current Assets		
Cash and Cash Equivalents	$	158,995
Intergovernmental Receivables		45,418
Total Current Assets		204,413
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation		59,277
Total Assets		263,690
Liabilities:		
Current Liabilities		
Accounts Payable		29,917
Accrued Wages and Benefits Payable		47,698
Intergovernmental Payable		32,107
Total Liabilities		109,722
Net Position:		
Net Investment in Capital Assets		59,277
Restricted		21,827
Unrestricted		72,864
Total Net Position	$	153,968

See accompanying notes to the basic financial statements.

GREAT EXPECTATIONS ELEMENTARY
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Foundation Payments	$ 1,305,569
Operating Expenses:	
Salaries and Wages	481,899
Fringe Benefits	113,501
Purchased Services	659,617
Materials and Supplies	113,971
Depreciation	5.990
Other	27,488
Total Operating Expenses	1,402,466
Operating Loss	(96,897)
Non-Operating Revenues:	
Federal Grant Revenue	353,191
State Grant Revenue	20,003
Donations and Contributions	1.720
Other Non-Operating Revenues	4,916
Total Non-Operating Revenues	379,830
Change in Net Position	282,933
Net Position Beginning of Year	(128,965)
Net Position End of Year	$ 153,968

See accompanying notes to the basic financial statements.

GREAT EXPECTATIONS ELEMENTARY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:		
Received from State of Ohio	$	1,326,051
Payments to Employees for Services and Benefits		(545,854)
Payments to Suppliers for Goods and Services		(919,094)
Payments to Other		(26,505)
Net Cash Used for Operating Activities		(165,402)
Cash Flows from Noncapital Financing Activities:		
Received from other nonoperating revenue		4,916
Federal Grants		310,903
State Grants		20,003
Net Cash Provided by Noncapital Financing Activities		335,822
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions		(61,528)
Net Cash Used for Capital and Related Financing Activities		(61,528)
Net Increase in Cash and Cash Equivalents		108,892
Cash and Cash Equivalents at Beginning of Year		50,103
Cash and Cash Equivalents at End of Year	$	158,995
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(96,897)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		5,990
Changes in Assets and Liabilities:		
Intergovernmental Receivable		20,482
Prepaid Items		165
Accounts Payable		(124,023)
Accrued Wages		13,010
Intergovernmental Payable		15,871
Net Cash Used for Operating Activities	$	(165,402)

See accompanying notes to the basic financial statements.

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1. Description of the School and Reporting Entity:

Great Expectations Elementary (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade through customizing learning for each child. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2013 fiscal year, Mangen & Associates School Resource Center. The Richland Academy was the School's sponsor in fiscal year 2013. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 4 non-certified and 12 certificated full time teaching personnel who provide services to 173 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 11.

2. Summary of Significant Accounting Policies:

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Summary of Significant Accounting Policies (continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis. Chapter 5705.39 of the Ohio Revised Code also requires the School to prepare a five-year forecast, update it annually and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond fiscal year-end, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. Improvements are capitalized. The cost 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.

2. Summary of Significant Accounting Policies (continued):

All reported capital assets, except land, are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Life
Buildings and Improvements	25 years
Leasehold Improvements	Remaining Term of Lease (not to exceed 5 years)
Furniture and Equipment	5 years
Technology Equipment	3 years
Vehicles	7 years

G. Estimates

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

H. Intergovernmental Revenues

The School is a participant in the State Foundation Program. In addition, the State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. Foundation funding and casino tax revenue are both recognized as revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as revenues in the accounting period in which all eligibility requirements of the grants have been met.

I. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, state proceeds of tax on gross casino revenue, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

2. Summary of Significant Accounting Policies (continued):

J. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages and benefits payable - salary and related payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2013 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2013.

Intergovernmental payable - payments made after year-end for the Schools' share of retirement contributions, Medicare and Workers' Compensation associated with services rendered during the fiscal year.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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. The School had no deferred inflows of resources as of fiscal year end.

L. 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, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use 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 are available.

M. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits:

At June 30, 2013, the carrying amount of the School's deposits was $158,995 and the bank balance was $192,396. The entire bank balance was insured by Federal Deposit Insurance Corporation.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of Federal programs. A summary of the principal items of receivables at June 30, 2013 is as follows:

Intergovernmental Receivables	Amount
Federal Grants	$45,418

5. Restricted Net Position:

At June 30, 2013 the School reported restricted net position totaling $21,827. The nature of the net position restrictions are as follows:

Food Service Program	$19,675
Fundraising Activities	2,152
Total	$21,827

6. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Capital Assets:	**Beginning Balance**	**Additions**	**Deletions**	**Ending Balance**
Vehicles, Furniture, and Equipment	$ 4,155	$ 61,528		$ 65,683
Total Capital Assets	4,155	61,528		65,683
Less Accumulated Depreciation:				
Vehicles, Furniture, and Equipment	(416)	(5,990)		(6,406)
Total Accumulated Depreciation	(416)	(5,990)		(6,406)
Capital Assets, Net	$ 3,739	$ 55,538		$ 59,277

7. Risk Management:

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2013, the School contracted with School Insurance Consultants, LLC for its insurance coverage as follows:

General Liability (aggregate)	$3,000,000
Each Occurrence Limit	$1,000,000
Personal/Advertising Limit	$1,000,000
Damage to Rented Premises	$500,000

There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceeded coverage amounts during the fiscal year.

B. Workers' 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 determined by the State.

C. Employee insurance Benefits

The School utilizes Superior Dental and United Health Care to provide dental and health benefits to School employees.

8. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

8. Defined Benefit Pension Plans (continued):

Funding Policy -Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013 and 2012 were $15,342 and $5,728, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 32% of the required amount. The unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

PlanOptions – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

8. Defined Benefit Pension Plans (continued):

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

8. Defined Benefit Pension Plans (continued):

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations for the fiscal years ended June 30, 2013 and 2012 were $52,882 and $34,339, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 69% of the required amount. The unpaid contribution has been recorded as a liability.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

9. Post-employment Benefits:

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

9. Post-employment Benefits (continued):

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School's required contributions for the years ended June 30, 2013 and 2012 were $867 and $338, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 32% of the required amount. The unpaid contribution has been recorded as a liability.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at $20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2013 and 2012 were $557 and $1,144, respectively. The entire amount has been contributed for fiscal year 2012. For fiscal year 2013, the School has contributed 32% of the required amount. The unpaid contribution has been recorded as a liability.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

9. Post-employment Benefits (continued):

B. State Teachers Retirement System

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal years ended June 30, 2013 and 2012 were $4,068 and $2,641, respectively. For fiscal year 2013, the School has contributed 69% of the required amount. The entire amount has been contributed for fiscal year 2012. The unpaid contribution has been recorded as a liability.

10. Contingencies:

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. Full-Time Equivalency Reviews

The Ohio Department of Education (ODE) reviews of enrollment and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. There has been a review for the 2012-2013 school year; however, the conclusion of this review did not have a material effect on the financial statements.

11. Instruction, Operations and Fiscal Management:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services

In addition to fiscal services, M&A provided educational program management and school operations management for the School during the fiscal year ended June 30, 2013. The total fee paid for these services during the fiscal year 2013 was $380,186. The amount paid for fiscal services in fiscal year 2013 was for start-up services in fiscal year 2011 and fiscal, operations and instruction services provided in fiscal years 2012 and 2013. A liability of $24,125 has been recorded for these services at year end.

12. Related Party Transactions

During fiscal year 2012, the School entered into a lease agreement with Douglas J Mangen and Barbara E Mangen for building space located at 20 Arco Drive, Toledo, Ohio. Douglas J Mangen is the owner of Mangen & Associates, the School's Treasurer. See Note 14 for further details.

13. Purchased Services:

During the fiscal year ended June 30, 2013, purchased service expenses for services rendered by various vendors were as follows:

Instruction Services	$ 450
Professional/Legal Services	850
Other Professional and Technical Services	400,958
Garbage Removal and Cleaning	6,326
Repairs and Maintenance	20,772
Property Insurance	3,491
Rentals and Property Services	60,748
Meeting Expense	1,325
Postage	699
Advertising	5,838
Utilities	21,066
Contracted Food Services	93,869
Pupil Transportation	43,225
Total	$ 659,617

14. Operating Leases:

On July 14, 2011, the School entered into a lease agreement with the Perry Corporation for copiers. The lease term was for a period of 60 months beginning July 14, 2011 and ending July 14, 2016. Monthly rent was $213 plus additional charges based on the number and type of copies. Payments made to Perry Corporation totaled $5,418 during the fiscal year.

During fiscal year 2012, the School entered into a lease agreement with Douglas J Mangen and Barbara F Mangen for building space located at 20 Arco Drive, Toledo, Ohio. The lease term is for thirty-six months, commencing on July 1, 2011 and terminating on June 30, 2014, with an option to renew for two additional terms of three years. Rent during the initial term of the lease is $4,000 per month. Rent will be adjusted for the additional terms based upon the "Revised Consumers Price Index—Cities (1967 = 100)". Lease payments made during fiscal year 2013 totaled $96,000. These payments represent rent for fiscal years 2012 and 2013.

15. Change in Accounting Principle:

For fiscal year 2013, the School has implemented the following:

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34" improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB's authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" establishes financial accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as asset and liabilities. This change was incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

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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*

Great Expectations Elementary
Lucas County
20 Arco Drive
Toledo, Ohio 43607

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 Great Expectations Elementary, Lucas County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 31, 2014, wherein we noted the School implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2014

Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Great Expectations Elementary
Lucas County
20 Arco Drive
Toledo, Ohio 43607

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Great Expectations Elementary, Lucas County, Ohio (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

Ohio Rev. Code Section 3313.666 required the Board to amend its policy by November 4, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

January 31, 2014

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GREAT EXPECTATIONS ELEMENTARY

LUCAS 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
FEBRUARY 20, 2014

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