MASON RUN HIGH SCHOOL
FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2016

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

Dave Yost • Auditor of State

Board Members
Mason Run High School
388 South Main Street
Akron, Ohio 43111

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

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

Dave Yost

Dave Yost
Auditor of State

March 7, 2017

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

This page intentionally left blank.

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

TABLE OF CONTENTS

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Mason Run High School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mason Run High School, Franklin County, Ohio, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying basic financial statements have been prepared assuming that Mason Run High School, Ohio, will continue as a going concern. As described in Note 14 to the basic financial statements, the Mason Run High School, Ohio, has a declining net position due to the expenses exceeding revenues, which raises substantial doubt about the Mason Run High School, Ohio's ability to continue. Management's plans in regard to those matters are described in Note 15. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the Mason Run High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mason Run High School's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

December 27, 2016

This page intentionally left blank.

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

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

The discussion and analysis of the Mason Run High School's (the School's) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the fiscal year 2016 are as follows:

- Total assets increased $173,081.
- Deferred outflows were $113,837.
- Total liabilities increased $828,898.
- Deferred inflows were $413,198.
- Total Net Position was ($1,020,347).
- Total operating revenues were $386,669. Total operating expenses were $839,268.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows.

REPORTING THE SCHOOL AS A WHOLE

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2016. These statements include all assets, deferred outflows of resources, 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 two statements report the School's Net Position and change 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.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2016. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal years 2016 and 2015.

Table 1
Statement of Net Position

	2016	2015
Assets		
Current Assets	$ 59,827	$ 30,911
Noncurrent Assets	144,164	-
Total Assets	203,991	30,911
Deferred Outflows of Resources	113,837	11,616
Liabilities		
Current Liabilities	130,300	39,116
Long-Term Liabilities	618,742	-
Net Pension Liability	175,935	56,963
Total Liabilities	924,977	96,079
Deferred Inflows of Resources	413,198	566,235
Net Position		
Net Investment in Capital Assets	118,289	-
Unrestricted	(1,138,636)	(619,787)
Total Net Position	$ (1,020,347)	$ (619,787)

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

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

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.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2016, the School's net position totaled $(1,020,347).

Current assets represent cash and cash equivalents and grants receivable. Current liabilities represent accounts payable, accrued expenses, current portion of capital lease, and amounts owed to the management company at fiscal year-end.

Total assets increased $173,081, which is mainly due to the increase in capital assets. Total liabilities increased primarily due to accounts payable and amounts owed to the management company.

Statement of Revenues, Expenses and Change in Net Position

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

Table 2 – Change in Net Position

	2016	2015
Operating Revenue		
State Aid	$ 380,837	$ 252,432
Intergovernmental Revenue	2,860	-
Other	2,972	292,323
Total Operating Revenues	386,669	544,755
Operating Expenses		
Purchased Services	172,409	52,884
Facility Costs	208,079	112,002
Professional Fees	267,515	94,150
Sponsor Fees	10,604	7,509
Legal	23,050	18,000
Materials and Supplies	96,558	68,671
Miscellaneous	39,603	52,500
Depreciation	21,449	-
Total Operating Expenses	839,267	405,716
Operating Income (Loss)	(452,598)	139,039
Non-Operating Revenues		
Federal Grants	52,038	-
Total Non-Operating Revenues	52,038	-
Change in Net Position	(400,560)	139,039
Net Position, Beginning of Year	(619,787)	(758,826)
Net Position, End of Year	$ (1,020,347)	$ (619,787)

State Aid increased by $128,405 due to increased enrollment. Operating Expenses increased due to the an increase in enrollment, new school facility and change in management company (see note 12).

BUDGETING HIGHLIGHTS

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

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

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was $118,289. There were current year additions of $139,738 offset by current year depreciation of $21,449. For more information on capital assets, see Note 5 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The Sponsor suspended the operations of the School for the 2013-2014 school year. The School re-opened in August 2014.

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

The full-time equivalent enrollment of the School for the year ended June 30, 2016 was 52.89 which is an increase compared to 2015 which had enrollment of 35.44.

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, 219 East Maple St., Suite 202, North Canton, Ohio 44720 or e-mail at dave@massasolutionsllc.com.

THIS PAGE INTENTIONALLY LEFT BLANK

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

Statement of Net Position
At June 30, 2016

Assets		
Current Assets:		
Cash and Cash Equivalents	$	27,165
Intergovernmental Receivable		25,313
Grants Receivable		7,349
Total Current Assets		59,827
Noncurrent Assets:		
Capital Assets:		
Depreciable Capital Assets, net		118,289
Other Assets		25,875
Total Noncurrent Assets		144,164
Total Assets		203,991
Deferred Outflows of Resources		113,837
Liabilities		
Current Liabilities:		
Accounts Payable		68,324
Accrued Expense		18,011
Capital Lease		18,897
Advances Payable		25,068
Total Current Liabilities		130,300
Long Term Liabilities:		
Net Pension Liability (See Note 8)		175,935
Capital Lease		39,875
Cambridge Payable		578,867
Total Long Term Liabilities		794,677
Total Liabilities		924,977
Deferred Inflows of Resources		413,198
Net Position		
Net Investment in Capital Assets		118,289
Unrestricted		(1,138,636)
Total Net Position	$	(1,020,347)

See accompanying notes to the basic financial statements.

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

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

Operating Revenues	
State Aid	$ 380,837
Intergovernmental Revenues	2,860
Other Revenues	2,972
Total Operating Revenues	386,669
Operating Expenses	
Purchased Services	172,409
Facility Costs	208,079
Professional Fees	267,515
Sponsor Fees	10,604
Legal	23,050
Materials and Supplies	96,558
Miscellaneous	39,603
Depreciation	21,449
Total Operating Expenses	839,267
Operating (Loss)	(452,598)
Non-Operating Revenues	
Federal Grants	52,038
Total Non-Operating Revenues	52,038
Change in Net Position	(400,560)
Net Position, Beginning of Year	(619,787)
Net Position, End of Year	$ (1,020,347)

See accompanying notes to the basic financial statements.

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

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

Cash Flows from Operating Activities	
Cash Received from State Aid	$ 346,226
Cash Received from Other Sources	4,770
Cash Payments to Suppliers for Goods and Services	(310,895)
Net Cash Provided by Operating Activities	40,101
Cash Flows from Non-capital Financing Activities	
Cash Received from Federal Grants	43,748
Net Cash Provided by Operating Activities	43,748
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Acquisitions	(77,994)
Capital Lease Retirement	(2,972)
Net Cash Used in Capital and Related Financing Activities	(80,996)
Net Increase in Cash and Cash Equivalents	2,853
Cash and Cash Equivalents, Beginning of Year	24,312
Cash and Cash Equivalents, End of Year	$ 27,165

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	$ (452,598)
Depreciation	21,449
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
Decrease in Accounts Receivable	2,406
(Increase) in Deferred Outflows	(102,221)
Increase in Accounts Payable	68,570
Increase in Accrued Expenses	(7,696)
(Decrease) in State Funding Payable	(34,611)
Increase in Cambridge Payable	578,867
Increase in Net Pension Liability	118,972
(Decrease) in Deferred Inflows	(153,037)
Total Adjustments	471,250
Net Cash Provided by Operating Activities	$ 40,101

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

See accompanying notes to the basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

1. DESCRIPTION OF THE ENTITY

Mason Run High School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Effective July 1, 2015, the School changed its name from The New Beginnings Academy to Mason Run High School. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may acquire facilities as needed and contract for any services necessary for the operation of the School. The School may sue and be sued. The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course or action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was approved for operation under a contract with the Education Resource Consultants of Ohio ("ERCO") (the Sponsor) for a one year period ending on June 30, 2016. The Sponsor approved an additional contract for one year ending June 30, 2017. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. Effective July 1, 2015, the School has contracted with Cambridge Education Group, LLC, to act as a management company for the School (see Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change Net Position, financial position and cash flows.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

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

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were $118,289 as of June 30, 2016, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the asset which are as follows:

Asset Class	Useful Life
Computers & Software	3 years
Furniture, Fixtures, & Equipment	5 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

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

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation is calculated.

The remaining grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Under the above programs the School recognized revenue of $380,837 this fiscal year from the Foundation Program and $52,038 from Federal grants.

G. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore the School does not accrue vacation time as a liability.

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

H. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of $68,324 and accrued expenses of $18,011 at June 30, 2016.

I. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Exchange and Non-Exchange Transactions (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

L. Operating Revenues and Expenses

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

M. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) 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 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 8)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deletions from their fiduciary net 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.

O. Implementation of New Accounting Principles

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS

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

The School maintains its cash balances at one financial institution, Chase Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2016, the book amount of the School's deposits was $27,165 and the bank balance was $33,906.

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

4. RECEIVABLES

A. Intergovernmental Receivable

The School has intergovernmental receivables totaling $25,313 at June 30, 2016. These receivables represented cash revenue earned, but not received as of June 30, 2016.

B. Grants Receivable

The School had grant receivable balances of federal grant monies totaling $7,349 at June 30, 2016.

5. CAPITAL ASSETS

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

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Capital Assets:				
Furniture, Fixtures, & Equipment	$ -	$ 34,419	$ -	$ 34,419
Computers	-	105,319	-	105,319
Total Capital Assets	-	139,738	-	139,738
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	-	(1,987)	-	(1,987)
Computers	-	(19,462)	-	(19,462)
Total Accumulated Depreciation	-	(21,449)	-	(21,449)
Capital Assets, Net	$ -	$ 118,289	$ -	$ 118,289

6. CAPITAL LEASE AND LONG-TERM OBLIGATIONS

In fiscal year 2016, the School entered into a three year lease agreement for the purchase of technology equipment with a cost of $61,744. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments:

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

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

The changes in the School's long-term obligations during fiscal year 2016 were as follows:

	Outstanding 06/30/15	**Additions**	**Deductions**	**Outstanding 06/30/16**
Net Pension Liability:				
STRS	$ 36,719	$ 31,719	$ -	$ 68,438
SERS	20,244	87,253	-	107,497
Total Net Pension Liability	56,963	118,972	-	175,935
Cambridge Payable	-	578,867	-	578,867
Total Long-Term Obligations	$ 56,963	$ 697,839	$ -	$ 754,802

See note 12 for further information regarding the Cambridge payable.

7. RISK MANAGEMENT

Property & Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2016, the School contracted with The Cincinnati Insurance Company for nonprofits and maintained general liability insurance with a $1,000,000 single occurrence limit and $2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of $5,000,000.

8. DEFINED BENEFIT PENSIONS PLANS

A. Net Pension Liability

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

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

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

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

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

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

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. For the fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund.

The School's contractually required contribution to SERS was $13,104 for fiscal year 2016.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

C. 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $8,754 for fiscal year 2016.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$68,438	$107,497	$175,935
Proportion of the Net Pension Liability	0.00024763%	0.00188390%	
Pension Expense	($103,297)	($11,131)	($114,428)

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

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

At June 30, 2016, 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	$ 2,950	$ 1,253	$ 4,203
Change in proportionate share	22,109	65,668	87,777
School contributions subsequent to the measurement date	8,754	13,104	21,858
Total Deferred Outflows of Resources	$ 33,813	$ 80,025	$ 113,837
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 1,660	$ (5,579)	$ (3,919)
Changes in proportion and differences	326,384	90,733	417,117
Total Deferred Inflows of Resources	$ 328,044	$ 85,154	$ 413,198

$21,858 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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:			
2017	$(103,347)	$(7,673)	$(111,020)
2018	(103,347)	(7,673)	(111,020)
2019	(103,347)	(7,673)	(111,020)
2020	7,057	4,786	11,843
	(302,984)	(18,233)	(321,217)

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

E. 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, 2015, are presented below:

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

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

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

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

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$149,060	$107,497	$72,498

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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 %	

8. DEFINED BENEFIT PENSIONS PLANS (Continued)

F. Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$95,065	$68,438	$45,920

9. POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District 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 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were $1,014, $465, $16, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. School Teachers Retirement Systems

Plan Description – The School District 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.

9. POST EMPLOYMENT BENEFITS (Continued)

B. School Teachers Retirement Systems (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0 and $0 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

10. CONTINGENCIES

A. Litigation

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

B. Full-Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and Full Time Equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

The results of ODE's most recent FTE Adjustment indicated the School was underpaid during fiscal year 2016. The underpayment has been recorded as an intergovernmental receivable on the School's financial statements. However, as of the date of this report, ODE has not finalized the total impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School; therefore, the final financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

11. SPONSOR CONTRACT

The School contracted with the Education Resource Consultants of Ohio (ERCO) as its sponsor to perform oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2016, the total sponsorship fees paid totaled $10,604.

12. MANAGEMENT AGREEMENT

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

Effective July 1, 2015, the School entered into a multi-year Management Agreement (Agreement) with Cambridge Education Group, LLC, an Ohio limited liability company which is an educational consulting and management company. The Agreement's term will run through five academic school years ending June 30, 2020 unless terminated by either party. Thereafter, the agreement will automatically renew for additional successive five (5) year terms. Substantially most functions of the School have been contracted to Cambridge. Cambridge is responsible and accountable to the School's Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 18 percent of the Schools Qualified Gross Revenues as defined in the agreement. In addition to the continuing fee, the School also pays a curriculum fee of $500 per student FTE to Cambridge.

The School had purchased service expenses for the year ended June 30, 2016 to Cambridge of $286,837 for salaries and benefits, $74,481 for continuing fees and $22,263 for curriculum fees. At June 30, 2016, the School owed Cambridge $578,867 for services and advances made to the School. Per terms of the management agreement, such amounts owed to Cambridge are due when available in future years and subject to certain debt forgiveness provisions if not repaid within two years. All amounts owed have been recorded as long-term liabilities as Schools projections do not reflect to be repaid within twelve months.

13. LEASE OBLIGATIONS

The school entered into a lease agreement with 901 South James Road Center LLC for the school premises located at 923 South James Road, Columbus, Ohio. The lease term is from July 1, 2015 through June 30, 2025.

Future lease obligations are as follows:

FY 2017	$ 103,500
FY 2018	105,052
FY 2019	106,628
FY 2020	108,227
FY 2021	109,850
Thereafter	456,129
Total	$ 989,386

14. FISCAL DISTRESS

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2016 was $27,165. Additionally, the School has significant liabilities at June 30, 2016 which has resulted in a deficit net position of ($1,020,347). Overcoming this deficit may be difficult without significant increases in student enrollments and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

15. MANAGEMENT PLAN

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

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.00188390%	0.000400%	0.000400%
School's Proportionate Share of the Net Pension Liability	$ 107,497	$ 20,244	$ 175,018
School's Covered-Employee Payroll	$ 56,711	$ 11,621	$ 86,466
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.55%	174.20%	202.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

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

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.00024763%	0.00015096%	0.00015096%
School's Proportionate Share of the Net Pension Liability	$ 68,438	$ 36,719	$ 587,594
School's Covered-Employee Payroll	$ 25,835	$ 15,424	$ 207,728
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.90%	238.06%	282.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

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

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST SIX FISCAL YEARS (1)

	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 13,104	$ 7,475	$ 1,610	$ 11,967	$ 11,400	$ 3,162
Contributions in Relation to the Contractually Required Contribution	$ (13,104)	$ (7,475)	$ (1,610)	$(11,967)	$(11,400)	$ (3,162)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 93,600	$ 56,711	$ 11,621	$ 86,466	$ 84,760	$25,155
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.85%	13.84%	13.45%	12.57%

(1) Information prior to 2011 is not available

MASON RUN HIGH SCHOOL
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO
LAST SIX FISCAL YEARS (1)

	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 8,754	$ 3,617	$ 2,159	$ 29,082	$ 45,169	$ 17,064
Contributions in Relation to the Contractually Required Contribution	$ (8,754)	$ (3,617)	$ (2,159)	$ (29,082)	$ (45,169)	$ (17,064)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 62,529	$ 25,835	$ 15,424	$207,728	$322,635	$121,885
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Information prior to 2011 is not available

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

Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

To the Members of the Board
Mason Run High School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Mason Run High School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 27, 2016, wherein we noted the accompanying financial statements have been prepared assuming that the Mason Run High School, Ohio, will continue as a going concern.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

James G. Zupka, CPA, Inc.

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

December 27, 2016

MASON RUN HIGH SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 21, 2017