YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

FRANKLIN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

Board of Directors
YouthBuild Columbus Community School
1183 Essex Avenue
Columbus, OH 43201

We have reviewed the *Independent Auditor's Report* of the YouthBuild Columbus Community School, Franklin County, prepared by Rea & Associates, 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 YouthBuild Columbus Community School is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

Dave Yost
Auditor of State

March 2, 2017

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YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

FRANKLIN COUNTY, OHIO

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December 27, 2016

To the Board of Directors
YouthBuild Columbus Community School
Franklin County, Ohio
1183 Essex Avenue
Columbus, OH 43201

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the YouthBuild Columbus Community 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 School as of June 30, 2016, and the changes in its financial position and the cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Schedule of the School's Proportionate Share of the Net Pension Liability,* and *Schedule of the School's Contributions* on pages 3-7, 32, and 33, respectively, 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 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 School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Dublin, Ohio

Our discussion and analysis of YouthBuild Columbus Community School (the School) 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 fiscal year 2016 are as follows:

- Total Net Position decreased $271,970, or 52% from 2015.
- Total Liabilities increased $360,829, or 17%, while total assets decreased $357,607, or 20% from 2015.
- Total revenue decreased from $2,671,530 in fiscal year 2015 to $2,527,243 in fiscal year 2016, a 5% decrease.
- Total expenses increased from $2,663,998 in fiscal year 2015 to $2,799,213 in fiscal year 2016, a 5% increase.
- The School has $2,229,668 in long term liabilities as of June 30, 2016.
- Net Pension Liability increased $413,994 which is offset by a decrease of $208,320 in Deferred Inflows related to pension.

Using this Financial Report

This report consists of three parts, the required supplementary information, 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 Changes in Net Position, and a Statement of Cash Flows.

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

The School uses enterprise presentation for all of its activities.

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 resources 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 as of June 30, 2016 compared to the prior year.

(Table 1)
Statement of Net Position

	2016	2015
Assets		
Current Assets	$ 292,626	$ 600,500
Capital Assets, Net	1,157,314	1,207,047
Total Assets	1,449,940	1,807,547
Deferred Outflows of Resources		
Pension Requirements	360,262	147,549
Liabilities		
Current Liabilities	260,841	220,203
Long Term Liabilities	2,229,668	1,909,477
Total Liabilities	2,490,509	2,129,680
Deferred Inflows of Resources		
Grants	0	25,433
Pension Requirements	112,836	321,156
Total Deferred Inflows	112,836	346,589
Net Position		
Net Investment in Capital Assets	1,057,739	1,005,527
Unrestricted	(1,850,882)	(1,526,700)
Total Net Position	$ (793,143)	$ (521,173)

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2016, 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.

Capital assets decreased by $49,733 due to depreciation exceeding current year additions. Also, current assets decreased $307,874, or 51.3% from 2015. Decreases in accounts and intergovernmental receivables based on timing of receipts along with cash used in related operations also were factors in decreases in current assets. Liabilities increased by $360,829 and net position decreased by $271,970 in 2016.

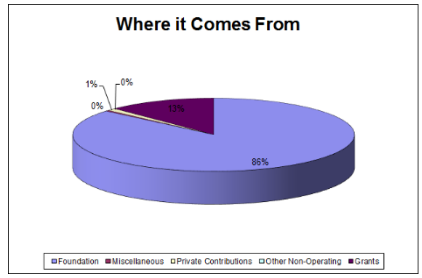


Table 2 shows change in Net Position for fiscal year 2016 compared with fiscal year 2015.

Table 2
Changes in Net Position

	2016	2015
Operating Revenues		
Foundation	$ 2,145,142	$ 2,178,896
Miscellaneous Operating	9,920	26,896
Casino Aid	37,722	28,091
Non-Operating Revenues		
Interest Income	164	243
Private Contributions	25,518	112,219
Grants	308,777	325,185
Total Revenues	2,527,243	2,671,530
Operating Expenses		
Salaries	1,048,646	921,922
Fringe Benefits	521,641	451,395
Purchased Services	903,856	871,900
Materials and Supplies	104,334	149,076
Depreciation	123,183	159,693
Other	59,844	41,197
Non-Operating Expenses		
Bad Debt Expense	27,806	29,015
Loss on Sale of Asset	-	26,329
Interest on Notes Payable	9,903	13,471
Total Expenses	2,799,213	2,663,998
Total Increase (Decrease) in Net Position	$ (271,970)	$ 7,532

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up over 85% of all revenues for the School in fiscal year 2016. Revenues decreased slightly from fiscal year 2015 due to decreases in private contributions.

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.

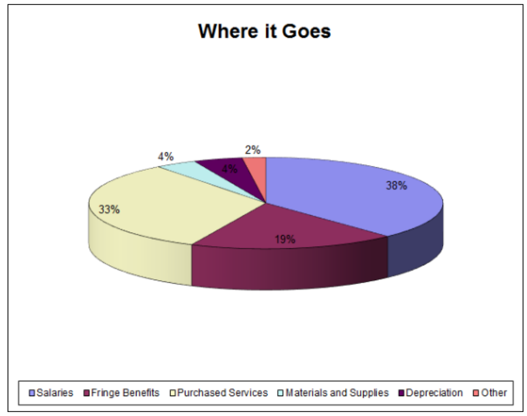
Budgeting Highlights

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, 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 has developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School has $1,157,314 in net capital assets. The largest capital asset is the school building. See Note 4 to the basic financial statements.



Debt

At June 30, 2016, the School had $99,575 in outstanding debt due to J. P. Morgan Chase Bank for the mortgage on the educational facility. See Note 15 in the notes to the basic financial statements.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase. Enrollment for the school is at 155 students as of November 2016. But, future revenue increases are cautious due to the susceptibility of changes in Ohio's funding model.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, CFO, YouthBuild Columbus Community School, 1183 Essex Ave. Columbus, OH 43215.

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YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 2,856
Accounts Receivable	139,885
Intergovernmental Receivable	55,553
Prepaids	13,209
Asset Held For Resale	81,123
Total Current Assets	292,626
Noncurrent Assets:	
Capital Assets:	
Non-Depreciable Capital Assets	97,889
Depreciable Capital Assets, net	1,059,425
Total Noncurrent Assets	1,157,314
Total Assets	1,449,940
Deferred Outflows of Resources	
Pension Requirements	360,262
Liabilities	
Current Liabilities:	
Accounts Payable	51,797
Accrued Wages and Benefits	120,396
Notes Payable	88,648
Total Current Liabilities	260,841
Long-Term Liabilities:	
Notes Payable, due within more than one year	10,927
Net Pension Liability	2,218,741
Total Long-Term Liabilities	2,229,668
Total Liabilities	2,490,509
Deferred Inflows of Resources	
Pension Requirements	112,836
Net Position	
Net Invested In Capital Assets	1,057,739
Unrestricted	(1,850,882)
Total Net Position	$ (793,143)

See accompanying notes to the basic financial statements

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenues	
Foundation	$2,145,142
Other State Aid	37,722
Miscellaneous Operating Revenue	9,920
Total Operating Revenues	2,192,784
Operating Expenses	
Salaries	1,048,646
Fringe Benefits	521,641
Purchased Services	903,856
Materials and Supplies	104,334
Depreciation	123,183
Other	59,844
Total Operating Expenses	2,761,504
Operating Income (Loss)	(568,720)
Non-Operating Revenues (Expenses)	
Private Contributions	25,518
Interest on Notes Payable	(9,903)
Interest Income	164
Bad Debt Expense	(27,806)
Grants	308,777
Total Non-Operating Revenues (Expenses)	296,750
Change in Net Position	(271,970)
Net Position Beginning of Year	(521,173)
Net Position End of Year	$ (793,143)

See accompanying notes to the basic financial statements

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Increase (Decrease) in Cash and Cash Equivalents

<u>Cash Flows from Operating Activities</u>	
Cash Received from State	$2,222,592
Cash Received from Other Operating Sources	9,920
Cash Payments to Employees for Services	(1,040,231)
Cash Payments for Employee Benefits	(501,054)
Cash Payments for Goods and Services	(967,439)
Other Cash Payments	(59,844)
Net Cash Provided by (Used in) Operating Activities	(336,056)
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	345,338
Cash Received from Interest on Investments	164
Private Contributions	85
Net Cash Provided by (Used in) Noncapital Financing Activities	345,587
<u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Payments for Capital Assets	(73,450)
Interest Paid-Notes Payable	(4,194)
Principal Payments-Notes Payable	(101,945)
Net Cash Provided by (Used in) Financing Activities	(179,589)
Net Increase (Decrease) in Cash and Cash Equivalents	(170,058)
Cash and Cash Equivalents Beginning of Year	172,914
Cash and Cash Equivalents End of Year	$ 2,856

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating Gain (Loss)	$ (568,720)
Adjustments:	
Depreciation	123,183
Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:	
Accounts Receivable	25,306
Intergovernmental Receivable	39,728
Prepaid Items	8,415
Accounts Payable	15,445
Accrued Wages and Benefits	27,626
Net Pension Liability	413,994
Deferred Outflows	(212,713)
Deferred Inflows	(208,320)
Net Cash Provided by (Used in) Operating Activities	$ (336,056)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE ENTITY

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School was approved for operation on June 14, 2001, under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001. The school is currently sponsored by Buckeye Community Hope Foundation under an original five-year term that ended on June 30, 2015. The school signed a new contract ending on June 30, 2019 for a 3 percent fee.

The five-member 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 principal, full time non-certified staff, and certified full time teaching personnel who provide services to approximately 184 students during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the School are included on the Statement of Net Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The Statement of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

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, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year. Furthermore, the School must submit a five-year forecast to its Sponsor and the Ohio Department of Education, annually.

D. Cash and Cash Equivalents

All cash received by the School is deposited in demand accounts in the School's name. The School did not have any investments during fiscal year 2016.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, improvements, however, are capitalized. Building, vehicles, furniture and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related capital assets.

The following is the estimated useful lives for property, vehicles, furniture and equipment:

Asset	Useful Life
Building	45 years
Vehicles	6 - 10 years
Furniture and Equipment	1 - 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the state foundation and state disadvantaged pupil impact aid programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2016 school year totaled $2,491,641.

G. Compensated Absences

Leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered. Unused personal leave is paid out at 100% of the employee's current pay rate at the end of the school year.

Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year. Permanent, year-round employees are entitled to annual vacation leave which is granted on June 1 of each subsequent year of employment and is based on the employee's service years. Upon separation from employment, employees are not entitled to compensation at their current rate of pay for all unused vacation leave, prorated to reflect the pay periods worked. As of June 30, 2016, the liability for unpaid compensated absences was $0.

H. Estimates

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

I. Net Position

Net Position represent the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net Position are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Operating Revenues and Expenses

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used.

L. Pensions

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

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 as an inflow of resources (revenue) 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 10).

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 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 $2,856 and the bank balance was $17,802. The total bank balance was insured by the FDIC at June 30, 2016.

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.

The School had no investments at June 30, 2016 or during the fiscal year.

4. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2016, follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Capital Assets Not Being Depreciated:				
Land	$ 97,889	$ -	$ -	$ 97,889
Capital Assets Being Depreciated:				
Building	1,501,682	73,450	-	1,575,132
Vehicles	50,519	-	-	50,519
Furniture and Equipment	596,055	-	-	596,055
Total Capital Assets Being Depreciated	2,148,256	73,450	-	2,221,706
Less Accumulated Depreciation:				
Building	(492,797)	(72,002)	-	(564,799)
Vehicles	(45,542)	(1,239)	-	(46,781)
Furniture and Equipment	(500,759)	(49,942)	-	(550,701)
Total Accumulated Depreciation	(1,039,098)	(123,183)	-	(1,162,281)
Net Total Capital Assets	$ 1,207,047	$ (49,733)	$ -	$1,157,314

5. INTERGOVERNMENTAL RECEIVABLE/PAYABLE

At June 30, 2016, The School had intergovernmental receivables in the amount of $55,553 to account for FTE adjustments to enrollment.

6. ACCOUNTS PAYABLE/RECEIVABLE

Accounts Payable consists of obligations totaling $51,797 at June 30, 2016, incurred during the normal course of conducting operations. Accounts Receivable consists of obligations totaling $139,885 at June 30, 2016, incurred during the normal course of conducting operations.

7. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were $120,396 at June 30, 2016 which represents wages, with associated benefits, earned and not paid at June 30, 2016 for certain School teachers paid over a 12 month period.

8. ASSETS HELD FOR RESALE

Assets held for resale is a work in process home that the school is building from the ground up. Given the schools construction focus, this property provides valuable construction training to the students. When the home is complete, the school hopes to sell the building for a profit and put those profits into additional educational opportunities for the students. $81,123 is listed on the statement of net position representing costs spent to date for the home.

9. 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; injuries to employees; and natural disasters. For fiscal year 2014, the School contracted with Accordia of Illinois Insurance Company for property and general liability insurance. The property insurance limits are $1,000 deductible and $385,000 aggregate. The general liability insurance limits are $1,000,000 each occurrence and $2,000,000 aggregate. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

B. Worker’s Compensation

The School pays the State Worker’s Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2016.

10. DEFINED BENEFIT PENSION PLANS (continued)

A. Net Pension Liability

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

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually. Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

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

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

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

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

10. DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years 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. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School's contractually required contribution to SERS was $51,936 for fiscal year 2016.

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.

10. DEFINED BENEFIT PENSION PLANS (continued)

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit.

For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the 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.

10. DEFINED BENEFIT PENSION PLANS (continued)

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

The School's contractually required contribution to STRS was $87,264 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	$ 1,542,643	$ 676,098	$ 2,218,741
Proportion of the Net Pension Liability	0.00558179%	0.01184870%	
Pension Expense	$ 77,292	$ 54,869	$ 132,161

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	$ 69,505	$ 10,639	$ 80,144
Changes in proportion	106,856	34,062	140,918
School contributions subsequent to the measurement date	87,264	51,936	139,200
Total Deferred Outflows of Resources	$ 263,625	$ 96,637	$ 360,262
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 95,177	$ 17,659	$ 112,836
Total Deferred Inflows of Resources	$ 95,177	$ 17,659	$ 112,836

$139,200 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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:

10. DEFINED BENEFIT PENSION PLANS (continued)

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

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2017	$ 6,660	$ 4,244	$ 10,904
2018	6,660	4,244	10,904
2019	6,660	4,197	10,857
2020	61,204	14,357	75,561
	$ 81,184	$ 27,042	$ 108,226

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.

10. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

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
	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	$ 937,505	$ 676,098	$ 455,972

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:

10. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Inflation	2.75 percent
Projected salary increase	2.75 percent at 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
	100.00 %	

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.

10. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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	$ 2,142,848	$ 1,542,643	$ 1,035,081

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 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's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were $259, $3,731, and $4,604, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

11. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $6,646, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

12. MEDICAL AND DENTAL EMPLOYEE BENEFITS

The School contracted with AETNA Insurance for its medical insurance benefits for full-time employees of the School. Dental insurance is provided by Prudential Insurance. All full-time employees are eligible to select coverage under this plan, once they have been employed by the School for thirty days. Currently, the School pays 100% of each employee's individual and/or family premium. Premiums are determined by the insurance company.

13. PURCHASED SERVICES

For the period July 1, 2015 through June 30, 2016, purchased service expenses were for the following services:

Professional Services	$ 619,587
Property Services	87,817
Travel and Professional Development	32,051
Communications	23,999
Utilities	43,169
Trade Services	68,650
Tuition Payments	6,083
Transportation	22,500
Total	$ 903,856

14. TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

15. LONG-TERM LIABILITIES

A summary of long-term obligation on the mortgage outstanding for land, buildings and improvements at June 30, 2016, is as follows:

	Principal Outstanding 6/30/2015	Additions	Reductions	Principal Outstanding 6/30/2016	Amounts Due Within One Year
Net Pension Liability	$ 1,804,747	$ 413,994	$ -	$ 2,218,741	$ -
JP Morgan Chase-Note 1	133,461	-	(59,504)	73,957	63,079
JP Morgan Chase-Note 2	68,059	-	(42,441)	25,618	25,569
Total Long-Term Liabilities	$ 2,000,267	$ 413,994	$(101,945)	$ 2,318,316	$ 88,648

Net Pension Liability – See Note 10 for related information.

J.P. Morgan Chase Bank (Mortgage)-Note1 – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated August 13, 2010, in the amount of $376,863. This Note is for the purpose of acquiring land, a building and improvement to be used as an educational facility. Terms of the mortgage provide for monthly payments of $5,477, principal and interest, for 84 months at an annual interest rate of 5.84%. At June 30, 2016, the principal balance was $73,957. Interest and principal payments totaling $ 61,625 were made for the year ending June 30, 2016. Interest comprised of $2,121. See below for the amortization table for the outstanding obligation at June 30, 2016.

J.P. Morgan Chase Bank (Mortgage)-Note2 – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated January 20, 2014, in the amount of $200,000. This Note is for the purpose of building improvements to be used as an educational facility. Terms of the mortgage provide for monthly payments of $3,713, principal and interest, for 60 months at an annual interest rate of 5.95%. At June 30, 2016, the principal balance was $25,618. Interest and principal payments totaling $44,514 were made for the year ending June 30, 2016. Interest comprised of $2,073. Below is the amortization table for the outstanding obligation at June 30, 2016.

Year(s)	Principal	Interest	Total
2017	$88,648	$3,320	$ 91,968
2018	10,927	159	11,086
	$99,575	$3,479	$103,054

16. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS

The School is a related organization to Buckeye Community Hope Foundation (BCHF) and YouthBuild Columbus, a non-profit organization affiliated with YouthBuild USA. A description of the School's relationship with these entities follows.

A. Buckeye Community Hope Foundation

BCHF appoints all five members of the Board of Trustees of the School. There is no financial dependency on the BCHF and the School does not provide services primarily to BCHF. BCHF does not impose its will on the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures, without approval from BCHF. The schools Executive Director and Program Director are employees of BCHF. The School's accountability to BCHF ceases with BCHF's appointments to the Board.

B. YouthBuild Columbus

YouthBuild Columbus supports policies and programs which enable young people to assume leadership in order to rebuild their communities. The Executive Director and Program Director of the School also serve as Executive Director and Program Director of YouthBuild Columbus. The School's Principal is also the President of the Board of YouthBuild Columbus. YouthBuild Columbus is a subsidiary of BCHF. The school has a contract with YouthBuild Columbus to provide construction training services. Amounts paid for training services per the contract were $135,663.

17. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2016.

B. Full Time Equivalency

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 and 2015 Foundation funding for the school; therefore, the 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.

18. SPONSOR

In June 2015, a sponsorship agreement was executed between the school and Buckeye Community Hope Foundation for a three (3) year period beginning July 1, 2015. Under this agreement, the school pays the Sponsor “up to” 3% of State Aid (see Note 2 F). Sponsor fee expense at June 30, 2016, totaled $67,213.

19. CHANGE IN 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 addresses the use of authoritative and non-authoritative 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 an external investment pool to qualify for making the election to measure all 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.

YouthBuild Columbus Community School
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	2015	2014	2013
State Teachers Retirement System (STRS)			
School's Proportion of the Net Pension Liability	0.00558179%	0.00511459%	0.00511459%
School's Proportionate Share of the Net Pension Liability	$ 1,542,643	$ 1,244,045	$ 1,481,899
School's Covered-Employee Payroll	$ 557,529	$ 664,638	$ 666,669
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	276.69%	187.18%	222.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)			
School's Proportion of the Net Pension Liability	0.01184870%	0.01107900%	0.01107900%
School's Proportionate Share of the Net Pension Liability	$ 676,098	$ 560,702	$ 658,833
School's Covered-Employee Payroll	$ 400,197	$ 289,012	$ 429,762
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	168.94%	194.01%	153.30%
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.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

YouthBuild Columbus Community School
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Contributions
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
State Teachers Retirement System (STRS)										
Contractually Required Contribution	$ 87,264	$ 78,054	$ 86,403	$ 86,667	$ 62,093	$ 110,003	$ 87,192	$ 101,983	$ 48,013	$ 40,755
Contributions in Relation to the Contractually Required Contribution	(87,264)	(78,054)	(86,403)	(86,667)	(62,093)	(110,003)	(87,192)	(101,983)	(48,013)	(40,755)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered-Employee Payroll	$ 623,314	$ 557,529	$ 664,638	$ 666,669	$ 477,638	$ 846,177	$ 670,708	$ 784,485	$ 369,331	$ 313,500
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)										
Contractually Required Contribution	$ 51,936	$ 52,746	$ 40,057	$ 59,479	$ 50,207	$ 45,723	$ 40,047	$ 13,419	$ 6,352	n/a
Contributions in Relation to the Contractually Required Contribution	(51,936)	(52,746)	(40,057)	(59,479)	(50,207)	(45,723)	(40,047)	(13,419)	(6,352)	n/a
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	n/a
School's Covered-Employee Payroll	$ 370,971	$ 400,197	$ 289,012	$ 429,762	$ 373,286	$ 363,747	$ 295,768	$ 136,372	$ 64,684	n/a
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	n/a

n/a - Information prior to 2008 is not available.

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December 27, 2016

To the Board of Directors
YouthBuild Columbus Community School
Franklin County, Ohio
1183 Essex Avenue
Columbus, OH 43201

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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 YouthBuild Columbus Community 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.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Dublin, Ohio

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 14, 2017

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