Washington Park Community School

Cuyahoga County, Ohio

Audited Financial Statements

For the Fiscal Years Ended
June 30, 2017 and 2016

Dave Yost • Auditor of State

Board of Directors
Washington Park Community School
4000 Washington Park Blvd
Newburgh Heights, OH 44105

We have reviewed the *Independent Auditor's Report* of the Washington Park Community School, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

February 28, 2018

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Washington Park Community School
Cuyahoga County, Ohio

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Rea & associates a brighter way

December 26, 2017

The Board of Trustees
Washington Park Community School
Cuyahoga County, Ohio
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44106

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Park Community School, Cuyahoga County, Ohio, (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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Opinion

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

Other Matters

The financial statements of the School as of and for the year ended June 30, 2016, were audited by other auditors whose report dated April 25, 2017, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Schedule of the School's Proportionate Share of the Net Pension Liability*, and *Schedule of School Contributions* on pages 3–7, 37, and 38–39, 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 26, 2017 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.

Medina, Ohio

The discussion and analysis of Washington Park Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal years ended June 30, 2017 and 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 Notes to the Basic Financial Statements and the Basic Financial Statements to enhance their understanding of the School's financial performance.

Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. Due to the comparative presentation within the basic financial statements, a comparison analysis between fiscal year 2016 and fiscal year 2015 is also required.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased $208,615 which represents a 26 percent decrease from 2016.

- Capital assets decreased $20,877 during fiscal year 2017 from depreciation expense.

Using this Annual Financial Report

This annual report consists of three parts, the Required Supplementary Information, the Basic Financial Statements and the Notes to the Basic Financial 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 the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during fiscal year 2017 and 2016?" The Statement of Net Position includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Statement of Net Position

In a prior year, the School purchased the building containing the leasehold improvements; therefore, the capital assets were restated to remove the leasehold improvements. The 2015 schedule reflects this change for comparative purposes.

The following schedule provides a summary of the School's Statement of Net Position for fiscal years ended June 30, 2017, 2016 and 2015:

	2017	2016	Restated 2015
Assets			
Current and other assets	$ 1,288,682	$ 1,432,697	$ 1,233,558
Capital assets	433,014	453,891	475,879
Total Assets	1,721,696	1,886,588	1,709,437
Deferred outflows of resources			
Pension	681,636	309,128	183,068
Liabilities			
Other liabilities	128,957	141,864	176,810
Long-Term liabilities:			
Due within one year	0	4,757	4,722
Due in more than one year:			
Net pension liability	2,958,287	2,628,458	2,315,209
Other amounts	0	2,102	6,859
Total liabilities	3,087,244	2,777,181	2,503,600
Deferred inflows of resources			
Pension	318,424	212,256	420,861
Net position			
Net investment in capital assets	433,014	447,031	464,298
Unrestricted	(1,435,350)	(1,240,752)	(1,496,254)
Total net position	$ (1,002,336)	$ (793,721)	$ (1,031,956)

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

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

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

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

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

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

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

In fiscal year 2017, cash decreased $127,681 from fiscal year 2016. The School purchased over $50,000 in technology, which was not capitalized, in addition to increases in salaries and benefits.

In fiscal years 2016 and 2015, cash increased $143,422 and $134,631, respectively, partially due to the continued savings in rent expense after purchasing the building during 2014. The School continued conserving its cash to fund future building improvements. Due from other governments increased in 2016 compared to 2015 due to timing of drawdowns of fiscal year 2016 federal grants.

The fluctuations in net pension liability and deferred outflows and inflows related to pension from 2015 through 2017 are due implementation of GASB 68 and changes in the pension plans' actual compared to estimated experience and investment earnings.

Statement of Revenues, Expenses and Changes in Net Position

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017, 2016 and 2015.

	2017	2016	Restated 2015
Operating revenues			
Foundation payments	$ 1,579,553	$ 1,638,240	$ 1,650,481
State distributed casino revenue	10,124	10,963	11,202
Charges for services	978	1,867	3,746
Other operating revenues	12,492	10,318	17,918
Total operating revenues	1,603,147	1,661,388	1,683,347
Operating expenses			
Salaries	1,037,288	930,463	1,014,408
Fringe benefits	369,782	260,853	265,450
Purchased services	429,639	353,340	327,170
Materials and supplies	265,399	181,658	173,117
Depreciation	17,382	21,988	26,526
Other operating expenses	79,315	58,576	62,717
Total operating expenses	2,198,805	1,806,878	1,869,388
Operating income (loss)	(595,658)	(145,490)	(186,041)
Non-operating revenues (expenses)			
Federal and State subsidies	388,012	369,914	350,529
Rent	2,213	13,620	16,091
Loss on disposal of capital assets	(3,495)	0	0
Investment income	313	191	67
Total non-operating revenues (expenses)	387,043	383,725	366,687
Change in net position	$ (208,615)	$ 238,235	$ 180,646

Expenses in fiscal year 2017 increased $391,927 over fiscal year 2016. As discussed above, salaries and benefits increased in addition to an increase in material and supplies from technology purchases for the students. Pension expenses also increased, as a result of GASB 68.

Revenues and expenses remained relatively constant from fiscal year 2015 to 2016.

Capital Assets

As of June 30, 2017, the School had capital assets of $433,014 invested in land, buildings and improvements and furniture and equipment. This is a $20,877 decrease from fiscal year 2016 due to depreciation and disposals.

There was a decrease of $21,988 from fiscal year 2015 due to depreciation.

The following schedule provides a summary of the School's capital assets as of June 30, 2017, 2016 and 2015:

	2017	2016	Restated 2015
Land	$ 90,929	$ 90,929	$ 90,929
Buildings and improvements, net	342,085	351,836	361,587
Furniture and equipment, net	0	11,126	23,363
Total capital assets, net	$ 433,014	$ 453,891	$ 475,879

For more information on capital assets, see Note 4 of the Notes to the Basic Financial Statements.

Current Financial Issues

Washington Park Community School is proud of the strong educational services provided to its students. The School serves approximately 199 diverse students across nine grade levels. The School is successful with its students as evidenced by strong performance on state assessments, including a 100 percent passage rate with its students in achieving the third grade reading guarantee.

In July 2013, the School purchased the present building without financing. Many building improvements have already been made, including a new parking lot and roof. The School places the safety and comfort of its staff and students at a high premium.

The School continues to remain a fiscally solvent and responsible guardian of public funds, repeatedly earning awards from the State for clean audits. The School will continue to serve the area for years to come.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the School's finances and to show the School's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Ms. Beth Hargreaves, Treasurer, Washington Park Community School, 4000 Washington Park Boulevard, Newburgh Heights, Ohio 44105.

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Washington Park Community School
Cuyahoga County, Ohio
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Equity in pooled cash and cash equivalents	$ 1,150,864	$ 1,278,545
Due from other governments	137,818	154,152
Total current assets	1,288,682	1,432,697
Noncurrent assets:		
Capital assets, not depreciated	90,929	90,929
Depreciable capital assets, net	342,085	362,962
Total noncurrent assets	433,014	453,891
Total assets	1,721,696	1,886,588
Deferred outflows of resources		
Pension	681,636	309,128
Liabilities		
Current liabilities:		
Accounts payable	10,329	35
Accrued wages and benefits	118,628	141,829
Due within one year	0	4,757
Total current liabilities	128,957	146,621
Noncurrent liabilities:		
Due in more than one year	0	2,102
Net pension liability	2,958,287	2,628,458
Total noncurrent current liabilities	2,958,287	2,630,560
Total liabilities	3,087,244	2,777,181
Deferred inflows of resources		
Pension	318,424	212,256
Net position		
Net investment in capital assets	433,014	447,031
Unrestricted	(1,435,350)	(1,240,752)
Total net position	$ (1,002,336)	$ (793,721)

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues		
Foundation payments	$ 1,579,553	$ 1,638,240
State distributed casino revenue	10,124	10,963
Charges for services	978	1,867
Other operating revenues	12,492	10,318
Total operating revenues	1,603,147	1,661,388
Operating expenses		
Salaries	1,037,288	930,463
Fringe benefits	369,782	260,853
Purchased services	429,639	353,340
Materials and supplies	265,399	181,658
Depreciation	17,382	21,988
Other operating expenses	79,315	58,576
Total operating expenses	2,198,805	1,806,878
Operating income (loss)	(595,658)	(145,490)
Non operating revenues (expenses)		
Federal and State subsidies	388,012	369,914
Rent	2,213	13,620
Loss on disposal of capital assets	(3,495)	0
Investment income	313	191
Total non-operating revenues (expenses)	387,043	383,725
Change in net position	(208,615)	238,235
Net position at beginning of year	(793,721)	(1,031,956)
Net position at end of year	$ (1,002,336)	$ (793,721)

See accompanying notes to the basic financial statements.

Washington Park Community School
Cuyahoga County, Ohio
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

		2017		2016
Increase (decrease) in cash and cash equivalents				
Cash flows from operating activities:				
Cash received from State of Ohio	$	1,577,924	$	1,668,853
Cash received from casino revenue		10,124		10,963
Cash received from customers		978		1,867
Cash payments to suppliers for goods and services		(684,744)		(546,117)
Cash payments to employees for services		(1,366,782)		(1,236,559)
Other operating revenues		7,421		10,318
Other operating expenses		(79,315)		(58,576)
Net cash provided by (used for) operating activities		(534,394)		(149,251)
Cash flows from non-capital financing activities:				
Federal and State grants received		411,046		283,584
Rent received		2,213		13,620
Net cash provided by (used for) non-capital financing activities		413,259		297,204
Cash flows from capital and related financing activities:				
Principal payments on capital lease		(6,859)		(4,722)
Net cash provided by (used for) capital and related financing activities		(6,859)		(4,722)
Cash flows from investing activities:				
Investment earnings		313		191
Net increase (decrease) in cash and cash equivalents		(127,681)		143,422
Cash and cash equivalents at beginning of year		1,278,545		1,135,123
Cash and cash equivalents at end of year	$	1,150,864	$	1,278,545
Reconciliation of operating income (loss) to net cash Provided by (used for) operating activities:				
Operating income (loss)	$	(595,658)	$	(145,490)
Adjustments to reconcile operating income to				
Net cash provided by (used for) operating activities:				
Depreciation		17,382		21,988
(Increase) decrease in assets/deferred outflows:				
Due from other governments		(6,700)		30,613
Deferred outflows		(372,508)		(126,060)
Increase (decrease) in liabilities/deferred inflows:				
Accounts payable		10,294		(11,119)
Accrued wages and benefits		(23,201)		(23,827)
Net pension liability		329,829		313,249
Deferred inflows		106,168		(208,605)
Total adjustments		61,264		(3,761)
Net cash provided by (used for) operating activities	$	(534,394)	$	(149,251)

See accompanying notes to the basic financial statements.

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Note 1 - Description of the School and Reporting Entity

Washington Park Community School (the "School") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new start-up school in Cleveland Municipal School District that provides education to students in kindergarten through the eighth grade. The School, which is part of the State's education program, is independent of any School 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. 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.

The School was reassigned for operation under a contract with the Ohio Department of Education to the Educational Service Center of Lake Erie West (the Sponsor) for a period of five years commencing in the 2006 academic year. In fiscal year 2009, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2012. In fiscal year 2012, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2015. In fiscal year 2016, the School and the Sponsor entered into an agreement to extend the contract through fiscal year ending June 30, 2019. 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 self-appointing, five-member Board of Trustees (the "Board"). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following are the most significant of the School's accounting policies.

Basis of Presentation

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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. Expenses are recognized at the time they are incurred.

Cash and Cash Equivalents

Cash held by the School is reflected as "Equity in pooled cash and cash equivalents" on the Statement of Net Position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

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, except section 5705.391 which requires the School to prepare a five year projection of operational revenues and expenditures.

Due From Other Governments

Monies due the School for the year ended June 30, 2017 and 2016 are recorded as "Due from other governments." A current asset for the receivable is recorded at the time of the event causing the monies to be due.

Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the dates received. The School does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over their estimated lives. All items with a useful life of one year or greater and a value of $1,500 or more are capitalized. The School will also capitalize any purchases that are considered a "controlled" type asset per School policy, although it may be valued at less than $1,500.

Capital Asset Classification	Years
Buildings and Improvements	5 - 39
Furniture and Equipment	5 - 10

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 statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

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

Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the state and sales for food services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as nonoperating. The School participated in the State Meals Program, the Food Service federal grants program, the Special Education Part B-IDEA, Title I, and Improving Teacher Quality Title II-A programs. Grants and entitlements from these programs are recognized as non-operating revenues in the accounting period in which all eligible requirements have been met.

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 leave benefits are earned at the rate of one day per month and cannot be carried into the subsequent year. No accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

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. Obligations relating to employee compensation will be paid from the fund benefitting from their service.

Use of 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.

Implementation of New Accounting Policies

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

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

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

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

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

For the fiscal year ended June 30, 2016, the School District 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. These changes were incorporated in the School District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

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 District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses 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 District.

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 of its investments at amortized cost for financial reporting purposes. These changes were incorporated in the School District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

Note 3 - Deposits and Investments

Deposits At fiscal years ended June 30, 2017 and 2016, the carrying amount of the School's deposits totaled $941,022 and $1,068,727, respectively and its bank balances were $1,010,990 and $1,125,611, respectively. Of the bank balances:

1. $547,280 was covered by the Federal Depository Insurance Corporation (FDIC) for fiscal year ended June 30, 2017 and $296,990 for fiscal year ended June 30, 2016. The Ohio Depository Act stipulates that Huntington Bank pledge collateral for the deposits of the School in a pool of securities under Section 135.181 of the Ohio Revised Code.

2. $463,710 for fiscal year ended June 30, 2017 and $828,621 for fiscal year ended June 30, 2016 was exposed to custodial credit risk as discussed below. Although the securities serving as collateral were held by the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned. Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Investments As of June 30, 2017 and 2016, the School had the following investment and maturity:

	Measurement Amount	Investment Maturity < 3 months	% Total Invesments
Money Market Mutual Fund at June 30, 2017	$ 209,842	$ 209,842	100%
Money Market Mutual Fund at June 30, 2016	$ 209,818	$ 209,818	100%

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School's recurring fair value measurements as of June 30, 2016 and 2017. All investments of the School are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk Federal money markets are exempt from ratings since explicitly guaranteed by a U.S. Government Agency. The School's policy on Credit Risk allows only for those investments as stated within the Ohio Revised Code.

Concentration of Credit Risk. The School places no limit on the amount that may be invested to any one issuer. The School's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 4 - Capital Assets

In a prior year, the School purchased the building containing previously capitalized leasehold improvements; therefore, the capital assets were restated to remove the leasehold improvements. The 2015 beginning balance also reflects this change for comparative purposes.

A summary of the School's capital assets at June 30, 2017 and 2016 follows:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Capital Assets, Not Depreciated				
Land	$ 90,929	$ 0	$ 0	$ 90,929
Capital Assets, Being Depreciated:				
Buildings and Improvements	380,276	0	0	380,276
Furniture and Equipment	200,489	0	(20,971)	179,518
Total Capital Assets, Being Depreciated	580,765	0	(20,971)	559,794
Less Accumulated Depreciation:				
Buildings and Improvements	(28,440)	(9,751)	0	(38,191)
Furniture and Equipment	(189,363)	(7,631)	17,476	(179,518)
Total Accumulated Depreciation	(217,803)	(17,382)	17,476	(217,709)
Total Capital Assets being depreciated, net	362,962	(17,382)	(3,495)	342,085
Total Capital Assets, net	$ 453,891	$ (17,382)	$ (3,495)	$ 433,014

	Restated Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Capital Assets, Not Depreciated				
Land	$ 90,929	$ 0	$ 0	$ 90,929
Capital Assets, Being Depreciated:				
Buildings and Improvements	380,276	0	0	380,276
Furniture and Equipment	200,489	0	0	200,489
Total Capital Assets, Being Depreciated	580,765	0	0	580,765
Less Accumulated Depreciation:				
Buildings and Improvements	(18,689)	(9,751)	0	(28,440)
Furniture and Equipment	(177,126)	(12,237)	0	(189,363)
Total Accumulated Depreciation	(195,815)	(21,988)	0	(217,803)
Total Capital Assets being depreciated, net	384,950	(21,988)	0	362,962
Total Capital Assets, net	$ 475,879	$ (21,988)	$ 0	$ 453,891

Note 5 - Purchased Services

For the following fiscal year ended, purchased services reported on the Statements of Revenues, Expenses, and Changes in Net Position consisted of the following:

	2017	2016
Consulting Fees	$ 340,624	$ 249,350
General Services	89,015	103,990
Total	$ 429,639	$ 353,340

Note 6 - Risk Management

Property and Liability Insurance

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. The School contracts with Cincinnati Indemnity Company for property insurance with a $2,000,000 aggregate limit and general liability insurance with a $3,000,000 aggregate limit.

There has been no significant reduction in insurance coverage from prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Workers' Compensation

The School makes premium payments to the State Workers' Compensation System for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

Employee Medical, Dental and Vision Benefits

The School has contracted with a private carrier to provide its full-time employees medical/surgical benefits. The School pays all premiums for this coverage.

Note 7 - Pension Plans

Net Pension Liability

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

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

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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017 and 2016.

The School's contractually required contribution to SERS was $36,469 and $42,342 for fiscal years 2017 and 2016, respectively. Of this amount, $644 is reported as accrued wages and benefits for fiscal year 2017 and $2,167 was reported for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $105,348 and $116,966 for fiscal years 2017 and 2016, respectively. Of this amount, $10,324 is reported as accrued wages and benefits for fiscal year 2017 and $31,822 was reported for fiscal year 2016.

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

The net pension liability was measured as of July 1, 2016 and July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

Fiscal Year 2017	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 2,342,291	$ 615,996	$ 2,958,287
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00699755%	0.00841630%	
Prior Measurement Date	0.00834023%	0.00566870%	
Change in Proportionate Share	-0.00134268%	0.00274760%	
Pension Expense	$ 113,454	$ 91,852	$ 205,306

Fiscal Year 2016	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 2,304,996	$ 323,462	$ 2,628,458
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00834023%	0.00566870%	
Prior Measurement Date	0.00816722%	0.00649400%	
Change in Proportionate Share	0.00017301%	-0.00082530%	
Pension Expense	$ 113,235	$ 24,659	$ 137,894

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

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 94,641	$ 8,307	$ 102,948
Net Difference between Projected and Actual Earnings on Pension Plan Investments	194,471	50,811	245,282
Changes of Assumptions	0	41,121	41,121
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	29,677	120,791	150,468
School Contributions Subsequent to the Measurement Date	105,348	36,469	141,817
Total Deferred Outflows of Resources	$ 424,137	$ 257,499	$ 681,636
Deferred Inflows of Resources			
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	$ 293,570	$ 24,854	$ 318,424

$141,817 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2018	$ (17,723)	$ 57,823	$ 40,100
2019	(17,722)	57,784	40,062
2020	56,899	65,963	122,862
2021	3,765	14,606	18,371
	$ 25,219	$ 196,176	$ 221,395

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	$ 104,775	$ 5,475	$ 110,250
Changes in proportion	39,570	0	39,570
School contributions subsequent to the measurement date	116,966	42,342	159,308
Total Deferred Outflows of Resources	$ 261,311	$ 47,817	$ 309,128
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 159,933	$ 15,800	$ 175,733
Changes in proportion	0	36,523	36,523
Total Deferred Inflows of Resources	$ 159,933	$ 52,323	$ 212,256

$159,308 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:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2017	$ (25,672)	$ (17,167)	$ (42,839)
2018	(25,672)	(17,167)	(42,839)
2019	(25,670)	(17,191)	(42,861)
2020	61,426	4,676	66,102
	$ (15,588)	$ (46,849)	$ (62,437)

Actuarial Assumptions – SERS

Fiscal Year 2017

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's Proportionate Share of the Net Pension Liability	$ 815,540	$ 615,996	$ 448,969

Fiscal Year 2016

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 22.00 percent
COLA or Ad Hoc COLA	3.00 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset 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 earnings 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	$ 448,525	$ 323,462	$ 218,148

Actuarial Assumptions – STRS

Fiscal Year 2017

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

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

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's Proportionate Share of the Net Pension Liability	$ 3,112,714	$ 2,342,291	$ 1,692,393

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School's net pension liability is expected to be significant.

Fiscal Year 2016

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 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)	2.00 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. 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. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability.

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	$ 3,201,813	$ 2,304,996	$ 1,546,603

Note 8 - Postemployment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal years 2017 and 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 2017 and 2016, this amount was $23,500 and $23,000, respectively. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal years 2017 and 2016, the School's surcharge obligation was $3,677 and $3,023, respectively.

For fiscal years 2017 and 2016, SERS did not allocate employer contributions to the Health Care fund. The School's contributions for health care for the fiscal year ended June 30, 2015, was $2,087. The full amount has been contributed for fiscal year 2015.

State Teachers Retirement System

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

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

Note 9 - Jointly Governed Organization

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 Schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Educational Services Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709. During the years ended June 30, 2017 and 2016, the School paid $6,950 and $7,425, respectively to SPARCC for basic service charges.

Note 10 - Contingencies

Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The School is not party to any claims or lawsuits that would, in the School's opinion, have a material effect of the basic financial statements.

School District Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE has not performed such a review on the School for fiscal year 2017.

Enrollment adjustments related to June 30, 2016 Foundation funding for the School have been finalized and recorded.

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

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

Note 11 - Capital Leases

During fiscal year 2013, the School entered into a capitalized lease for copiers. The lease met the criteria of a capital lease as defined by accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee. Capital assets, consisting of furniture and fixtures, were capitalized in the amount of $20,971 and accumulated depreciation amounted to $17,476. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2017 totaled $6,859 and the lease was terminated.

Note 12 – Contractual Commitment

The School had an outstanding contractual commitments of $67,000 for exterior building repairs.

Note 13 – Sponsorship Agreement

The School entered into an agreement with the Educational Service Center of Lake Erie West (the Sponsor) for a period of five years commencing in the 2006 academic year. The agreement has since been extended through fiscal year ending June 30, 2019. Sponsorship fees are calculated as 2% through December 2016 and 2.5% effective January 1, 2017 of the fiscal year 2017 foundation payments received by the School, from the State of Ohio. The total amount due from the School for fiscal year 2017 was $35,289. Sponsorship fees are recorded as purchased services expense on the Statement of Revenues, Expenses, and Change in Net Position.

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Washington Park Community School
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
School's Proportion of the Net Pension Liability	0.00699755%	0.00834023%	0.00816722%	0.00816722%
School's Proportionate Share of the Net Pension Liability	$ 2,342,291	$ 2,304,996	$ 1,986,551	$ 2,366,366
School's Covered Payroll	$ 835,471	$ 911,400	$ 858,969	$ 847,085
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	280.36%	252.91%	231.27%	279.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
School's Proportion of the Net Pension Liability	0.00841630%	0.00566870%	0.00649400%	0.00649400%
School's Proportionate Share of the Net Pension Liability	$ 615,996	$ 323,462	$ 328,658	$ 386,177
School's Covered Payroll	$ 302,443	$ 254,552	$ 287,785	$ 249,769
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.67%	127.07%	114.20%	154.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

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

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

Washington Park Community School
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of School Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 105,348	$ 116,966	$ 127,596	$ 111,666
Contributions in Relation to the Contractually Required Contribution	(105,348)	(116,966)	(127,596)	(111,666)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 752,486	$ 835,471	$ 911,400	$ 858,969
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 36,469	$ 42,342	$ 33,550	$ 39,887
Contributions in Relation to the Contractually Required Contribution	(36,469)	(42,342)	(33,550)	(39,887)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 260,493	$ 302,443	$ 254,552	$ 287,785
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$ 110,121	$ 92,118	$ 99,222	$ 95,542	$ 94,922	$ 97,372
(110,121)	(92,118)	(99,222)	(95,542)	(94,922)	(97,372)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 847,085	$ 708,600	$ 763,246	$ 734,938	$ 730,169	$ 749,015
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$ 34,568	$ 35,035	$ 30,342	$ 35,392	$ 29,628	$ 20,106
(34,568)	(35,035)	(30,342)	(35,392)	(29,628)	(20,106)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 249,769	$ 260,483	$ 241,384	$ 261,388	$ 301,098	$ 204,745
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

December 26, 2017

The Board of Trustees
Washington Park Community School
Cuyahoga County, Ohio
4000 Washington Park Boulevard
Newburgh Heights, Ohio 44106

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 Washington Park Community School, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Medina, Ohio

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Dave Yost • Auditor of State

WASHINGTON PARK COMMUNITY SCHOOL

CUYAHOGA 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 13, 2018

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