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INDEPENDENT AUDITOR'S REPORT

CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Board of Directors
Cincinnati Speech and Reading Intervention Center
1812 Central Parkway
Cincinnati, Ohio 45214

We have reviewed the *Independent Auditor's Report* of the Cincinnati Speech and Reading Intervention Center, Hamilton County, prepared by Richardson & Associates, LLC, for the audit period July 1, 2014 through June 30, 2015. 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 Cincinnati Speech and Reading Intervention Center is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

February 16, 2106

8044 Montgomery Road| Suite 700| Cincinnati, OH 45236

CINCINNATI SPEECH AND READING INTERVENTION CENTER

HAMILTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Cincinnati Speech and Reading Intervention Center
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio, as of June 30, 2015, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and *Schedules of the School's proportionate share of the net pension liability –School Employees Retirement System of Ohio* and *State Teachers Retirement System of Ohio,* and *Schedules of School contributions* - *School Employees Retirement System of Ohio* and *State Teachers Retirement System of Ohio,* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Richardson & Associates, LLC

Richardson & Associates, LLC
Cincinnati, Ohio
December 23, 2015

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As management of the Cincinnati Speech & Reading Intervention Center (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the Cincinnati Speech & Reading Intervention Center during fiscal year 2015 are as follows:

- Ending net position of the School was negative $1,299,658, an increase of $561,759 in comparison with the prior fiscal year-end.

- Total assets increased $145,398 from the prior year and total liabilities decreased by $1,008,545 during this same 12-month period.

- The School's operating gain for fiscal year 2015 was $1,776 compared with an operating loss of $588,085 reported for the prior year. Total revenues increased by $415,878 while operating expenses decreased by $116,625 over those reported for the prior year.

Using the Basic Financial Statements

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and Notes to the Basic Financial Statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

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

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

Financial Analysis

Table 1 provides a summary of the School's net position for 2015 and 2014:

Table 1
Net Position at Year End

	2015	Restated 2014
Assets:		
Current Assets	$ 377,060	$ 189,433
Capital Assets, Net	1,267,391	1,309,620
Total Assets	1,644,451	1,499,053
Deferrd Outflows of Resources	135,926	111,138
Liabilities		
Current Liabilities	739,783	926,801
Non-Current Liabilities	1,723,280	2,544,807
Total Liabilities	2,463,063	3,471,608
Deferrd Inflows of Resources	616,972	-
Net Position:		
Net Investment in Capital Assets	1,162,354	964,583
Restricted	87,759	25,411
Unrestricted	(2,549,771)	(2,851,411)
Total Net Position	$ (1,299,658)	$ (1,861,417)

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

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

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

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

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

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

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

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. This implementation also had the effect of restating net position at June 30, 2014, from $455,793 to negative $1,861,417.

Current Assets increased significantly in comparison with the prior fiscal year-end as a result of increases in both cash and cash equivalents and intergovernmental receivables. The increases are primarily the result of increased enrollment.

Noncurrent Liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of favorable pension investment returns.

The Total Net Position reported for fiscal year 2015 increased by $561,759. Table 2 on the following page demonstrates the details of this increase.

Financial Analysis

Table 2 provides a summary of the School's change in net position for 2015 and 2014:

Table 2
Changes in Net Position

	2015	Restated 2014
Operating Revenues:		
Foundation Revenues	$ 1,854,292	$ 1,487,809
Other Unrestricted Grant-In-Aid	37,752	33,778
Economic Disadvantaged Funding	141,959	24,002
Miscellaneous	-	15,178
Total Operating Revenues	2,034,003	1,560,767
Operating Expenses:		
Salaries and Wages	846,561	777,263
Fringe Benefits	97,028	213,909
Purchased Services	946,774	971,443
Materials and Supplies	52,192	99,806
Depreciation	63,234	61,259
Other	26,438	25,172
Total Operating Expenses	2,032,227	2,148,852
Operating Gain (Loss)	1,776	(588,085)
Nonoperating Revenues		
Federal Grants	523,197	568,241
State Grants	3,993	3,285
Donations and Contributions	13,340	14,607
Other Nonoperating Revenues	19,453	31,208
Total Nonoperating Revenues	559,983	617,341
Change in Net Position	561,759	29,256
Net Position, Beginning of Year, Restated	(1,861,417)	N/A
Net Position, End of the Year	$ (1,299,658)	$ (1,861,417)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $111,138 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $6,716.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	$	2,032,227
Pension expense under GASB 68		(6,716)
2015 contractually required contribution		119,600
Adjusted 2015 operating expenses under GASB 27		2,145,111
Total 2014 program expenses under GASB 27		2,148,852
Decrease in program expenses not related to pension	$	(3,741)

Total Operating Revenues increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in enrollment by 41 students in fiscal year 2015.

Capital Assets

At fiscal year-end, the School had $1,267,391 invested in capital assets, a decrease of $42,229 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation of $63,234 exceeded current year capital acquisitions of $21,005. See Note 5 of the basic financial statements for additional details.

Debt

At fiscal year-end, the School had $105,037 in notes payable, a decrease of $240,000 in comparison with the prior fiscal year. This decrease represents the current year principal payments and premium amortization of $228,578 and $11,422, respectively. See Note 6 of the basic financial statements for additional details.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Cincinnati Speech & Reading Intervention Center and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Cincinnati Speech & Reading Intervention Center, 6640 Poe Avenue, Dayton, Ohio 45414.

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CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

Assets:		
Current Assets:		
Cash and cash equivalents	$	216,788
Intergovernmental Receivable		157,891
Prepaids		2,381
Total Current Assets		377,060
Non-Current Assets:		
Capital Assets, net of accumulated depreciation		1,267,391
Total Noncurrent Assets		1,267,391
Total Assets		1,644,451
Deferred Outflows of Resources:		
Pensions		135,926
Liabilities:		
Current Liabilities:		
Accounts Payable		541,628
Accrued Wages and Benefits Payable		69,808
Intergovernmental Payable		21,803
Unearned Revenue		1,507
Notes Payable		105,037
Total Current Liabilities		739,783
Noncurrent Liabilities:		
Net Pension Liability		1,723,280
Total Liabilities		2,463,063
Deferred Inflows of Resources:		
Pensions		616,972
Net Position:		
Net Investment in Capital Assets		1,162,354
Restricted for State and Federal Grants		64,201
Restricted for Local Grants and Contributions		23,558
Unrestricted		(2,549,771)
Total Net Position	$	(1,299,658)

CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenues:	
Foundation Payments	$ 1,854,292
Other Unrestricted Grants-In-Aid	37,752
Economic Disadvantaged Funding	141,959
Total Operating Revenues	2,034,003
Operating Expenses:	
Salaries	846,561
Fringe Benefits	97,028
Purchased Services	946,774
Materials and Supplies	52,192
Depreciation	63,234
Other	26,438
Total Operating Expenses	2,032,227
Operating Gain	1,776
Non-Operating Revenues:	
Federal Grants	523,197
State Grants	3,993
Donations and Contributions	13,340
Other	19,453
Total Non-Operating Revenues	559,983
Change in Net Position	561,759
Net Position Beginning of Year, Restated	(1,861,417)
Net Position End of Year	$ (1,299,658)

CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:		
Cash Received from State of Ohio	$	1,960,730
Cash Payments to Suppliers for Goods and Services		(1,092,775)
Cash Payments to Employees for Services & Benefits		(1,028,904)
Net Cash Used for Operating Activities		(160,949)
Cash Flows from Noncapital Financing Activities:		
Cash Received from Grants (Federal & State)		447,611
Cash Received from Donations and Contributions		13,340
Cash Received from Other Non-Operating Activities		19,453
Net Cash Provided by Noncapital Financing Activities		480,404
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions		(21,005)
Payments for Principal on Notes Payable		(228,578)
Payments for Interest on Notes Payable		(11,422)
Net Cash Used for Capital and Related Financing Activities		(261,005)
Net Increase in Cash and Cash Equivalents		58,450
Cash and Cash Equivalents at Beginning of Year		158,338
Cash and Cash Equivalents at End of Year	$	216,788
Reconciliation of Operating Gain to Net Cash Used for Operating Activities:		
Operating Gain	$	1,776
Adjustments to Reconcile Operating Gain to Net Cash Used for Operating Activities:		
Depreciation		63,234
Changes in Assets and Liabilities:		
Intergovernmental Receivable		(47,677)
Prepaids		(2,381)
Accounts Payable		(65,086)
Accrued Wages		16,454
Intergovernmental Payable		(14,385)
Net Pension Liability		(112,884)
Net Cash Used for Operating Activities	$	(160,949)

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Note 1 – Description of the School and Reporting Entity

Cincinnati Speech and Reading Intervention Center (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in Kindergarten through grade 8. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

On January 30, 2008, the School entered into a contract with Richland Academy of the Arts to be the School's sponsor. The contract is extended for additional two year terms from July 1, 2014 to June 30, 2016 unless terminated or non-renewed by either party. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal or terminate the contract at the end of each fiscal year.

The School operates under the direction of a Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 4 non-certified and 21 certificated full time teaching personnel who provided services to 271 students during the fiscal year.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position.

Note 2 – Summary of Significant Accounting Policies (Continued)

The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

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

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straightline method. Computers and Equipment are depreciated over five years and Buildings are depreciated over 50 years.

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

H. Operating and Non-Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

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

I. Accrued Liabilities Payable
The School has recognized certain liabilities on its Statement of Net Position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2015 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2015.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2015 that were paid in the subsequent fiscal year.

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions. This deferred outflow of resources related to pension is explained in Note 8.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension is explained in Note 8.

K. 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 position 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.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets, consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Economic Dependency

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

Note 3 – Deposits and Investments

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. At June 30, 2015, the carrying amount of the School's deposits was $216,788 and the bank balance was $238,377. The entire bank balance was covered by federal deposit insurance.

Note 4 – Intergovernmental Receivables

At fiscal year-end, intergovernmental receivables consisted of Federal Grants, Foundation Underpayments and Pension Overpayments totaling $94,356, $49,979, and $13,556, respectively. All intergovernmental receivables are considered collectible in full due to the stable condition of Federal and State programs.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets:				
Buildings	$ 1,321,527	$ -	$ -	$ 1,321,527
Furniture and Equipment	280,771	21,005	-	301,776
Total Depreciable Capital Assets	1,602,298	21,005	-	1,623,303
Accumulated Depreciation:				
Buildings	(98,965)	(26,431)	-	(125,396)
Furniture and Equipment	(193,713)	(36,803)	-	(230,516)
Total Accumulated Depreciation	(292,678)	(63,234)	-	(355,912)
Total Capital Assets, Net	$ 1,309,620	$ (42,229)	$ -	$ 1,267,391

The School has not perfected the title for 1812 Central Parkway as of June 30, 2015. Since the school has the risk and benefit of the building, along with the related debt, it is included in the table above.

Note 6 – Notes Payable

The changes in the School’s long-term obligation during the fiscal year is as follows:

	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**	**Due Within One Year**
Notes Payable	$ 332,253	$ -	$ (228,578)	$ 103,675	$ 103,675
Notes Premium	12,784	-	(11,422)	1,362	1,362
Total	$ 345,037	$ -	$ (240,000)	$ 105,037	$ 105,037

In fiscal year 2010, the School entered into a promissory note with Joann and Ed Hubert Family Foundation to secure capital funds for the purchase of the Elm Street building. The note was approved for $342,537. The note carried an interest rate of 0% and a maturity date of June 30, 2012.

Note 6 – Notes Payable (Continued)

In fiscal year 2011, the School entered into a Promissory Note with Joann and Ed Hubert Family Foundation to secure capital funds for the purchase of the 1812 Central Parkway building. The purchase was approved for $962,500. The $962,500 purchase price was added to the amount owed from the purchase of the Elm Street ($342,537) and documented in a Promissory Note between the School and the Hubert's. The total amount of the note is $1,305,037. The Promissory Note with the Hubert Family is collateralized by the property of the School.

The note carries an interest rate of 0%; however, interest has been imputed at 5%, resulting in a note premium at issuance totaling $164,439. The note premium will be amortized over the life of the note. The note has no required schedule of payment; however, the note has a maturity date of June 30, 2020.

During the fiscal year, the School paid $20,000 per month toward the note for a total of $240,000. Of this amount, $228,578 and $11,422 have been allocated to principle and interest, respectively. Assuming the School continues paying $20,000 per month toward the note, debt-service-to-maturity requirements to retire the note is as follows:

Fiscal Year Ended June 30:	Principal	Interest	Total
2016	103,675	1,362	105,037
Total	$ 103,675	$ 1,362	$ 105,037

Note 7 – Risk Management

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year, the School contracted with Argonaut Insurance Company for property and general liability insurance coverage as follows:

Commercial Property (Coinsurance is 90%; $1,000 deductable		
Business Personal Property Included	$	7,957,811
Business Income & Extra Expense		1,000,000
General Liability:		
Per Occurrence		1,000,000
Aggregate Total		3,000,000
Employee Benefits Liability / Program		
Each Employee ($1,000 deductable for each employee)		1,000,000
Aggregate Total		3,000,000
Employer's Stop Gap Liability:		
Per Injury		1,000,000
Aggregate Total		2,000,000
School Leaders Errors and Omissions Liability:		
Each Wrongful Act / Aggregate Limit ($10,000 deductable)		1,000,000

There was no significant reduction in coverage from the prior year. Settlement amount have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

C. Employee Medical and Dental Benefits

The School carries their medical and dental insurance through Medical Mutual and Humana. The School pays the first $500 of medical and dental benefits for employees. The employee is responsible for the remainder of the premiums. The annual cost of medical insurance is based upon gender and age.

<u>Note 8 – Defined Benefit Pension Plans</u>

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

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

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

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.

Note 8 – Defined Benefit Pension Plans (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required pension contribution to SERS was $13,332 for fiscal year 2015 of which the entire amount has been paid.

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.

Note 8 – Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Note 8 – Defined Benefit Pension Plans (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $104,357 for fiscal year 2015. Of this amount, $15,183 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$236,852	$1,486,428	$1,723,280
Proportion of the Net Pension Liability	0.00468000%	0.00611109%	
Pension Expense	$13,929	($7,213)	$6,716

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$2,016	$14,310	$16,326
Academy contributions subsequent to the measurement date	27,256	92,344	119,600
Total Deferred Outflows of Resources	$29,272	$106,654	$135,926
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$38,442	$274,995	$313,437
Changes in proportionate share	0	303,535	303,535
Total Deferred Inflows of Resources	$38,442	$578,530	$616,972

Note 8 – Defined Benefit Pension Plans (Continued)

$119,600 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($9,101)	($141,055)	($150,156)
2017	(9,101)	(141,055)	(150,156)
2018	(9,101)	(141,055)	(150,156)
2019	(9,122)	(141,055)	(150,177)
Total	($36,426)	($564,220)	($600,646)

Actuarial Assumptions - SERS

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

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

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

Note 8 – Defined Benefit Pension Plans (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

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

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

Note 8 – Defined Benefit Pension Plans (Continued)

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	$337,918	$236,852	$151,847

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, 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:

Note 8 – Defined Benefit Pension Plans (Continued)

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 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$2,127,985	$1,486,428	$943,888

Social Security

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

Note 9 – Post-employment Benefits

A. School Employees Retirement System

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

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro- rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at $20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

School contributions assigned to health care for the years ended June 30, 2015, 2014 and 2013 were $1,353, $2,019 and $2,317, respectively. The entire amount has been contributed for fiscal years 2014 and 2013, and 59 percent has been contributed for fiscal year 2015. The remaining balance is reported as intergovernmental payable at fiscal year-end.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Note 9 – Post-employment Benefits (Continued)

B. State Teachers Retirement System

Plan Description - STRS administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The School's contractually required health care contributions to STRS for fiscal years 2015, 2014 and 2013 were $0, $6,301 and $7,675, respectively. The entire amount has been contributed for each fiscal year.

Note 10 – Restricted Net Position

At fiscal year-end, the School reported restricted net position totaling $87,759. The nature of the net position restrictions at year-end are as follows:

State and Federal Grants	$ 64,201
Local Grants and Contributions	23,558
Total	$ 87,759

Note 11 – Contingencies

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2015, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

The School's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, the School must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

Note 12 – Contracted Fiscal Services

The School is a party to a fiscal services agreement with Mangen & Associates (M&A), which is an education services provider with a focus in instruction, operations and financial management support. The Agreement with M&A commenced in fiscal year 2011 and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following functions for the School:

1. Business Management Services – Supervision and management of School business affairs, budget development and planning, supervision of support services, personnel management, and coordination of safety programs.
2. Instruction Professional Development – Oversight and providing professional development to instruction staff.
3. Admin Professional Development – Oversight and providing professional development to admin and instruction staff.
4. Treasurer Services – Providing basic record keeping of required documents for state and federal governments and basic accounting reports to Director and Board.
5. Financial Management Services – Providing financial reporting, cash flow analysis, and resource call support.
6. Payroll/Accounting Services – Processing payroll and payables, including all required tax forms. Filing payroll deduction payments, providing bank reconciliations, and overseeing administration of payroll and payables.
7. CCIP Coordinator Services – Grants management, federal expenditure tracking, and reports to Director and Board.
8. E-Rate, CRRS, and 21st Century Services – Expense tracking, guidance and oversight, and monitoring.

Note 12 – Contracted Fiscal Services (Continued)

9. SOES/EMIS Services – Guidance and oversight related to system set up, maintenance, and input of student data.
10. Audit-Prep Services – Assisting and corresponding with auditors to ensure a timely audit.

The School paid M&A School Resource Center $397,000 during the fiscal year. In addition to amounts paid, the amount payable to M&A School Resource Center at fiscal year-end was $527,062, a decrease of $34,503 in comparison with the prior fiscal year-end.

Note 13 – Operating Leases – Lessee and Lessor

The School entered into a Property Lease Agreement for the building located at 132 Findlay Street with Findlay Market (Lessee). The term of the lease is five years, commencing on August 1, 2010. The minimum annual payments to be made from the Lessee during years one through two are $10,450, and $15,177 for years three through five. During the fiscal year, the School was paid $15,177 in lease payments for the property. The Lessee has the option to purchase the building but has not notified the School to execute the option.

The School has entered into a lease agreement with Wells Fargo Equipment Finance Group for the lease of five copiers with accessories. The term of the lease was 60 months and commenced on December 21, 2010, with required payments of $760 per month. Lease payments during the fiscal year totaled $9,424.

Note 14 – Purchased Services

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

Instructional Services	$ 340
Management Services	362,500
Data Processing Servies	6,429
Professional Services	205,546
Garbage Removal and Cleaning	20,764
Repairs and Maintenance	4,422
Rentals	8,982
Travel/Meeting	5,104
Postage	1,236
Advertising	5,160
Utilities	108,193
Contracted Food Services	217,718
Pupil Transportation	380
Total Purchased Services	$ 946,774

Note 15 – Change in Accounting Principles and Restatement of Net Position

For fiscal year 2015, the School implemented *GASB Statement No. 69 "Government Combinations and Disposals of Government Operations"* which provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2015, the School also implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." These Statements established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of these pronouncements had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	455,793
Adjustments:	
Net Pension Liability	(2,428,348)
Deferred Outflows - Payments Subsequent to Measurement Date	111,138
Restated Net Position June 30, 2014	(1,861,417)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cincinnati Speech and Reading Intervention Center
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the School) as of and for the year ended June 30, 2015, 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 23, 2015 wherein we noted the School adopted Government Accounting Standards 68 and 71.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Associates, LLC

Richardson & Associates, LLC
Cincinnati, Ohio
December 23, 2015

REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI SPEECH AND READING INTERVENTION CENTER
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
(UNAUDITED)

LAST 2 FISCAL YEARS (1)

	2014	2013
School's Proportion of the Net Pension Liability	0.004680%	0.004680%
School's Proportionate Share of the Net Pension Liability	$ 236,852	$ 278,305
School's Covered-Employee Payroll	$ 129,353	$ 129,523
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	183.11%	214.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

CINCINNATI SPEECH AND READING INTERVENTION CENTER
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
(UNAUDITED)

LAST 2 FISCAL YEARS (1)

	2014	2013
School's Proportion of the Net Pension Liability	0.00611109%	0.00742061%
School's Proportionate Share of the Net Pension Liability	$ 1,486,428	$ 2,150,043
School's Covered-Employee Payroll	$ 630,143	$ 767,530
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.89%	280.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

CINCINNATI SPEECH AND READING INTERVENTION CENTER
SCHEDULE OF SCHOOL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
(UNAUDITED)

LAST EIGHT FISCAL YEARS (1)

	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 13,332	$ 17,928	$ 17,925	$ 18,214	$ 36,175	$ 14,321	$ 27,329	$ 29,608
Contributions in relation to the contractually required contribution	$ 13,332	$ 17,928	$ 17,925	$ 18,214	$ 36,175	$ 14,321	$ 27,329	$ 29,608
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$101,150	$129,353	$129,523	$135,421	$287,788	$105,768	$277,734	$301,507
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

(1) Information prior to 2008 not available

CINCINNATI SPEECH AND READING INTERVENTION CENTER
SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
(UNAUDITED)

LAST NINE FISCAL YEARS (1)

	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Contractually Required Contribution	$104,358	$ 81,919	$ 99,779	$104,475	$ 94,380	$ 30,008	$ 56,520	$ 69,442	$ 68,431
Contributions in relation to the contractually required contribution	$104,358	$ 81,919	$ 99,779	$104,475	$ 94,380	$ 30,008	$ 56,520	$ 69,442	$ 68,431
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$745,411	$630,143	$767,530	$803,658	$726,000	$230,831	$434,769	$534,169	$526,392
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Information prior to 2007 not available

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Dave Yost • Auditor of State

CINCINNATI SPEECH AND READING INTERVENTION CENTER

HAMILTON 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 1, 2016