

The Graham Primary School

Franklin County, Ohio

Audited Financial Statements
for the Fiscal Year Ended June 30, 2016



Dave Yost • Auditor of State

Board of Trustees
The Graham Primary School
140 East 16th Street
Columbus, Ohio 43201

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 24, 2017

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**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

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February 21, 2017

To the Board of Directors
The Graham Primary School
140 E 16th Avenue
Columbus, OH 43201

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 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 February 21, 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.

Hea & Associates, Inc.

Dublin, Ohio

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

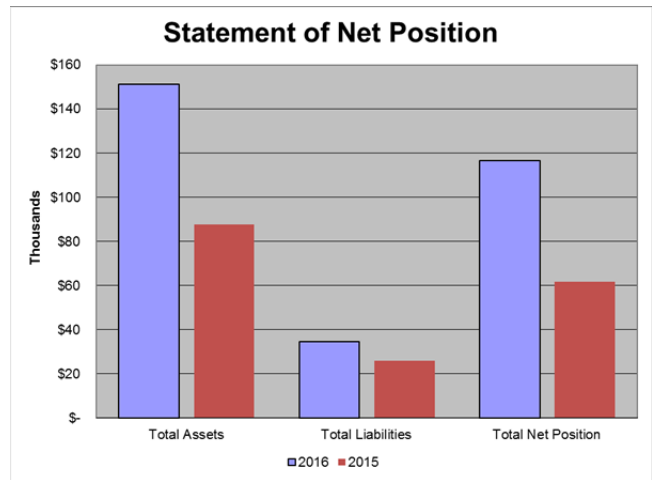
Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased by \$54,816. This is due to increased State Aid as a result of increased enrollment during the year.
- Total assets increased \$63,498. This was primarily due to increases in intergovernmental receivable.
- Liabilities increased \$8,682, which was the result of increases in accounts payable at year end.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how GPS did financially during fiscal year 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.



These statements report GPS' net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of GPS has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include GPS' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs, and other factors.

GPS uses an enterprise presentation for all of its activities.

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Statement of Net Position

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

Table 1 below is a summary of GPS' net position for fiscal year 2016 and 2015.

(Table 1)
Statement of Net Position

	2016	2015
Assets		
Current Assets	\$ 138,104	\$ 65,483
Capital Assets, Net	12,991	22,114
Total Assets	151,095	87,597
Liabilities		
Current Liabilities	34,596	25,914
Net Position		
Investment in Capital Assets	12,991	22,114
Unrestricted	103,508	39,569
Total Net Position	\$ 116,499	\$ 61,683

Total assets were \$151,095, while total liabilities were \$34,596. Cash and cash equivalents were \$25,418 and capital assets, at net, were \$12,991. Accounts payable was \$34,596. The decrease in cash was offset by increases in accounts receivable and intergovernmental receivable due to increased revenue. There were no other significant changes between years.

Statement of Revenues, Expenses and Change in Net Position

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

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

(Table 2)
Change in Net Position

	2016	2015
Operating Revenues		
State Aid	\$ 1,797,857	\$1,290,318
Casino Tax	9,933	7,218
Facilities Funding	32,676	14,944
Food Service	7,653	5,012
Classroom Fees	3,939	2,727
Other Operating	5,141	3,995
Non-Operating Revenue		
Federal & State Grants	218,486	230,222
Contributions & Donations	8,643	8,529
Total Revenues	2,084,328	1,562,965
Operating Expenses		
Purchased Services: Management Fees	1,510,183	1,088,661
Purchased Services: Rent and Property Services	101,866	85,800
Purchased Services: Professional Services	235,057	211,961
Purchased Services: Food Services	77,942	56,966
Purchased Services: Professional Development	19,320	15,422
Purchased Services: Other	10,964	6,337
Materials and Supplies	55,853	42,607
Depreciation	9,123	9,123
Other	9,204	9,274
Total Expenses	2,029,512	1,526,151
Change in Net Position	\$ 54,816	\$ 36,814

Operating revenues were \$1,857,199, which represents 89% of total revenue. Operating expenses were \$2,029,512, which represents 100% of total expenses. GPS' most significant expense Purchased Services: Management Fees represents 74% of total expenses. The total comprises primarily management fees paid to the Graham School (TGS). The agreement, between GPS and TGS, provides for GPS to remit a specific percentage of certain revenues received to TGS to finance operations. Note 12, in the notes to the basic financial statements outlines this agreement. Changes in both revenues and expenses are due to increased enrollment.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between the GPS and its Sponsor does not prescribe a budgetary process. GPS developed a one-year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education.

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

CAPITAL ASSETS

At the end of fiscal year 2016, GPS had \$12,991 invested in capital assets, net of depreciation, in computers and equipment. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2016, GPS had \$34,596 in total liabilities, but no long-term debt.

OTHER INFORMATION

For the Future

In conclusion, GPS has committed itself to financial excellence. GPS occupies a leased building from Graham Expeditionary Middle School on East Sixteenth Avenue, effective July 1, 2012. Note 9 describes the conditions and terms of the lease agreement. This building is expected to ensure that the GPS can meet its enrollment projections and give students a positive learning environment.

GPS received donations and private grants to assist in financing the operations and development of curriculum; this practice is expected to continue.

CONTACTING THE GRAHAM EXPEDITIONARY MIDDLE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the GPS School's finances and to show its accountability for the money received. If you have questions about this report or need additional information, contact Ms. Cheryl Long of The Graham Primary School, 140 East Sixteenth Avenue, Columbus, Ohio 43201 or e-mail at cheryl@thegrahamschool.org.

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**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Net Position
June 30, 2016**

Assets

Current Asset

Cash and Cash Equivalents	\$ 25,418
Accounts Receivable	30,794
Intergovernmental Receivable	<u>81,892</u>

Total Current Assets 138,104

Noncurrent Assets

Depreciable Capital Assets, net	<u>12,991</u>
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Total Assets 151,095

Liabilities

Current Liabilities

Accounts Payable	<u>34,596</u>
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Total Liabilities 34,596

Net Position

Investment in Capital Assets	12,991
Unrestricted	<u>103,508</u>

Total Net Position \$ 116,499

See accompanying notes to the basic financial statements

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016**

Operating Revenues	
State Aid	\$1,797,857
Casino Tax	9,933
Facilities Funding	32,676
Food Service	7,653
Classroom Fees	3,939
Other Operating	<u>5,141</u>
Total Operating Revenues	<u><u>1,857,199</u></u>
Operating Expenses	
Purchased Services: Management Fees	1,510,183
Purchased Services: Rent and Property Services	101,866
Purchased Services: Professional Services	235,057
Purchased Services: Food Services	77,942
Purchased Services: Professional Development	19,320
Purchased Services: Other	10,964
Materials and Supplies	55,853
Depreciation	9,123
Other	<u>9,204</u>
Total Operating Expenses	<u><u>2,029,512</u></u>
Operating Loss	<u><u>(172,313)</u></u>
Non-Operating Revenues	
Federal & State Grants	218,486
Contributions & Donations	<u>8,643</u>
Total Non-Operating Revenues	<u><u>227,129</u></u>
Change in Net Position	54,816
Net Position Beginning of Year	<u>61,683</u>
Net Position End of Year	<u><u>\$ 116,499</u></u>

See accompanying notes to the basic financial statements

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$1,790,388
Cash Received from Other Operating Sources	16,733
Cash Payments to Suppliers for Goods and Services	(2,033,298)
Other Cash Payments	<u>(9,204)</u>

Net Cash Used for Operating Activities (235,381)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants	186,695
Cash Received from Contributions and Donations	<u>8,643</u>

Net Cash Provided by Noncapital Financing Activities 195,338

Net Decrease in Cash and Cash Equivalents (40,043)

Cash and Cash Equivalents Beginning of Year 65,461

Cash and Cash Equivalents End of Year \$ 25,418

**Reconciliation of Operating Loss to Net Cash
Provided by (Used for) Operating Activities**

Operating Loss \$ (172,313)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Depreciation 9,123

Changes in Assets and Liabilities:

Accounts Receivable (30,794)

Intergovernmental Receivable (50,078)

Accounts Payable 8,681

Net Cash Provided by (Used for) Operating Activities \$ (235,381)

See accompanying notes to the basic financial statements

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**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

1. DESCRIPTION OF THE REPORTING ENTITY

The Graham Primary School (GPS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. GPS is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect GPS' tax-exempt status. GPS' objective is to use the Columbus community to form partnerships for student learning. Individualized programs are used to meet students' needs. Parents and students are included in all decision-making. GPS, which is part of the State's education program, is independent and is nonsectarian in its programs, admission policies, employment practices, and all other operations. GPS may acquire facilities as needed and contract for any services necessary for the operation of the school.

GPS was approved for operation under a contract with the Educational Service Center of Central Ohio (the Sponsor) for a period of two years commencing July 1, 2012. The contract was renewed for another 3-year period ending June 30, 2017. The Sponsor is responsible for evaluating the performance of GPS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

GPS operates under the direction of a five-member governing board. The governing 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.

GPS contracts with The Graham School (TGS) for most of its day-to-day activities (see Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of GPS 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. Following are the more significant of GPS' accounting policies.

A. Basis of Presentation

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

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The operating statement presents increases and decreases in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the sponsorship agreement. The contract between GPS and its Sponsor does not prescribe an annual budget requirement, as defined in Ohio Revised Code Chapter 5705. However, GPS prepares a five-year forecast, which is to be updated semi-annually, as required by the sponsorship agreement.

D. Cash and Cash Equivalents

All cash received by GPS is deposited in accounts in GPS's name and reflected as Cash and Cash Equivalents on the Statement of Net Position. GPS did not have any investments during fiscal year 2016.

E. Prepaid Items

GPS records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements (deletions) during the year. The capitalization threshold is \$1,000. Donated capital assets are recorded at their fair market values as of the date received. GPS' capitalization threshold is one thousand dollars.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not. Interest incurred during the construction of capital assets is also capitalized.

Depreciation of computers and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to capital assets are depreciated over the remaining useful lives.

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

GPS currently participates in the state foundation, casino aid, facilities funding, and state special education programs. Revenues received from these programs are recognized as operating revenues (foundation and special education payments) in the accounting period in which they are earned and become measurable. Funding from these programs is listed as "Operating Revenues" on the Statement of Revenues, Expenses, and Change in Fund Net Position.

Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which GPS must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to GPS on a reimbursement basis.

Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Resources received prior to the period of use are deferred.

Amounts awarded under the above programs for the 2016 school year totaled \$2,058,952.

H. Net Position

Net Position represent the difference between assets and liabilities. Invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by GPS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. GPS does not have any restricted net position at June 30, 2016.

I. Operating Revenues and Expenses

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

J. Estimates

The preparation of the 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 the accompanying notes. Actual results may differ from those estimates.

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

Deposits: The carrying value of GPS's deposits are \$25,418, and the bank balance totaled \$26,518, of which all was covered by federal depository insurance based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016.

Custodial credit risk is the risk that, in the event of bank failure, GPS's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank 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 GPS.

4. INTERGOVERNMENTAL RECEIVABLE

At June 30, 2016, GPS had \$81,892 in intergovernmental receivables. \$31,814 represents various federal and state grants that were listed as owed and due at June 30, 2016. The remaining \$50,078 represents underpayments from the State Aid Program (see note 8B)

5. ACCOUNTS PAYABLE

Accounts Payable in the amount of \$34,596 consists of obligations at June 30, 2016 incurred during the normal course of conducting operations.

6. CAPITAL ASSETS

For the year ended June 30, 2016, GPS' capital assets consisted of the following:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Capital Assets Being Depreciated:				
Computers & Equipment	\$ 45,616	-	\$ -	\$ 45,616
Total Capital Assets Being Depreciated	<u>45,616</u>	<u>-</u>	<u>-</u>	<u>45,616</u>
Less Accumulated Depreciation:				
Computers & Equipment	(23,502)	(9,123)	-	(32,625)
Total Accumulated Depreciation	<u>(23,502)</u>	<u>(9,123)</u>	<u>-</u>	<u>(32,625)</u>
Total Capital Assets Being Depreciated Net	<u>\$ 22,114</u>	<u>\$ (9,123)</u>	<u>\$ -</u>	<u>\$ 12,991</u>

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

7. RISK MANAGEMENT

Insurance Coverage

GPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2016, GPS contracted with the Philadelphia Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	2,000,000
Umbrella Liability per occurrence (\$10,000 self-insured retention)	6,000,000

The amount of settlements did not exceed insurance coverage for any of the past three years, nor has there been a significant reduction in coverage from the prior year.

8. CONTINGENCIES

A. Grants

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

B. Full-Time Equivalency Reviews

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 and 2015 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School. \$50,078 is listed in Intergovernmental Receivables related to the results of the FY 16 FTE review through December 2016.

9. OPERATING LEASES – LESSEE DISCLOSURE

GPS sub-leases a space as an educational facility, located at 160 East Sixteenth from the Graham Expeditionary Middle School (GEMS) who leases the building from Columbus Public Schools. The term of the lease is from September 1, 2012 and ending on August 31, 2015. The sub-lease has optional one year renewals that have been exercised twice through 2017. The initial base rent for is \$7,260 per month, increasing to \$7,986 in September 2015. Total rent expense for fiscal year 2016 was \$94,380 due to property related expenses paid for the school.

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

10. TAX EXEMPT STATUS

GPS was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect GPS' tax exempt status.

11. SPONSOR

On July 1, 2012, a sponsorship agreement was executed between GPS and the Educational Service Center of Central Ohio for a two (2) year period beginning July 1, 2012. The school shall pay annually 3% of its state funding per pupil as provided by the State of Ohio. For fiscal year ending June 30, 2016, GPS paid \$51,365. Effective July 1 2014, another three-year renewal was approved through fiscal year ending June 30, 2017.

12. MANAGEMENT AGREEMENT WITH THE GRAHAM SCHOOL

Effective July 1, 2012, GPS entered into a one year Management Agreement (the Agreement) with TGS. The Agreement's terms ran through June 30, 2016 and was renewed for an additional one-year term through June 30, 2017. Per the contract, TGS receives a base fee of three (3) percent up of GEMS' federal and state awards. TGS also receives ninety-five (95) percent of GPS' remaining revenues after GPS pays its direct expenses. GPS management fee expense for the fiscal year total \$1,510,183, as reported in the Statement of Revenues, Expenses and Changes in Net Position. Of this fee, \$1,394,542 was for general fund related fees and \$115,641 was for grant related reimbursements. \$30,794 is listed as can accounts receivable on the Statement of Net Position related to overpayments to TGS.

13. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2016, TGS paid the following expenses on-behalf of the GPS:

Expenses	<u>GPS</u>
Direct Expenses:	
Salaries & wages	\$ 904,964
Employees' benefits	139,771
Indirect Expenses:	
Overhead	<u>201,422</u>
Total Expenses	<u>\$1,246,157</u>

Overhead charges are assigned to the GPS based on a percentage of full-time equivalent student enrollment. These charges represent the indirect cost of services provided in the operation of the GPS. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

**THE GRAHAM PRIMARY SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

14. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

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

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

February 21, 2017

To the Board of Directors
The Graham Primary School
Franklin County, Ohio
140 East 16th Avenue
Columbus, OH 43201

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Graham Primary School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 21, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Dublin, Ohio

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Dave Yost • Auditor of State

THE GRAHAM PRIMARY SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 6, 2017