MENLO PARK ACADEMY
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

MENLO PARK ACADEMY
CUYAHOGA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Menlo Park Academy
Cuyahoga County
14440 Triskett Road
Cleveland, Ohio 44111

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Menlo Park Academy, Cuyahoga 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 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 such 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Menlo Park Academy, Cuyahoga County, Ohio, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 April 24, 2017, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 24, 2017

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

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

The Management's Discussion and Analysis (the 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. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2015-16 school year are as follows:

- Total Assets and Deferred Outflows of Resources increased $723,532.
- Total Liabilities and Deferred Inflows of Resources increased $896,074.
- Total Net Position decreased $172,542.
- Total Operating and Non-Operating Revenues were $3,065,649. Total Operating Expenses were $3,238,191.

USING THIS ANNUAL REPORT

This report consists of four parts: the MD&A, the basic financial statements, notes to those statements, and required supplemental information. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2016. These statements include all assets 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 the School's Net Position and changes in that position. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

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

Table 1 provides a summary of the School's Net Position for fiscal year 2016 compared to fiscal year 2015.

Table 1
Statement of Net Position

	2016	2015
Assets		
Current Assets	$ 434,576	$ 339,151
Capital Assets, Net of Accumulated Depreciation	1,097,145	734,059
Total Assets	1,531,721	1,073,210
Deferred Outflows of Resources	921,465	656,444
Liabilities		
Current Liabilities	734,695	191,977
Net Pension Liability	3,711,967	3,021,950
Total Liabilities	4,446,662	3,213,927
Deferred Inflows of Resources	212,873	549,534
Net Position		
Invested in Capital Assets	622,145	734,059
Unrestricted	(2,828,494)	(2,767,866)
Total Net Position	$ (2,206,349)	$ (2,033,807)

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

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

Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

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

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

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

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

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

Over time, Net Position can serve as a useful indicator of the School's financial position. At June 30, 2016, the School's net position totaled ($2,206,349).

Current assets represent cash and cash equivalents, intergovernmental receivable and other assets. Current liabilities represent accounts payable, accrued wages and benefits, loans and advances payable at fiscal year-end.

Statement of Revenues, Expenses and Changes in Net Position

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

Table 2
Change in Net Position

	2016	2015
Operating Revenue		
State Aid	$ 2,431,330	$ 2,304,467
Classroom Materials and Fees	172,059	172,557
Charges for Services	73,730	69,351
Other	106,815	45,873
Total Operating Revenues	2,783,934	2,592,248
Operating Expenses		
Salaries	1,559,659	1,551,731
Fringe Benefits	515,155	434,256
Purchased Services	901,309	784,565
Materials and Supplies	172,189	151,101
Other	13,053	13,697
Depreciation	76,826	73,396
Total Operating Expenses	3,238,191	3,008,746
Operating Income (Loss)	(454,257)	(416,498)
Non-Operating Revenues		
Federal and State Grants	61,181	45,240
Interest Revenue	257	766
Fundraising and Donations	129,591	88,582
Intergovernmental Revenue	90,686	68,153
Total Non-Operating Revenues	281,715	202,741
Change in Net Position	(172,542)	(213,757)
Net Position, Beginning of Year	(2,033,807)	(1,820,050)
Net Position, End of Year	$ (2,206,349)	$ (2,033,807)

BUDGETING HIGHLIGHTS

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

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

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was $1,097,145. This balance represents current year additions of $439,912 offset by current year depreciation of $76,826. For more information on capital assets, see Note 5 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2016, the State raised the base per pupil funding to $5,900, which is up from $5,800 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be $150 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2016 was 364.67 compared to a figure of 355.54 at the end of fiscal year 2015.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact the School's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 14440 Triskett Avenue, Cleveland, OH 44144 or e-mail at dave@massasolutionsllc.com.

MENLO PARK ACADEMY
CUYAHOGA COUNTY

Statement of Net Position
At June 30, 2016

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 255,157
Other Assets	90,664
Intergovernmental Receivables	88,755
Total Current Assets	434,576
Noncurrent Assets:	
Capital Assets:	
Construction in Progress	677,256
Depreciable Capital Assets, net	419,889
Total Noncurrent Assets	1,097,145
Total Assets	1,531,721
Deferred Outflows of Resources - Pension	921,465
Liabilities	
Current Liabilities:	
Accounts Payable	107,628
Accrued Wages and Benefits	147,531
Loan Payable	475,000
Advances Payable	4,536
Total Current Liabilities	734,695
Long-Term Liabilities:	
Net Pension Liability (See Note 9)	3,711,967
Total Long-Term Liabilities	3,711,967
Total Liabilities	4,446,662
Deferred Inflows of Resources - Pension	212,873
Net Position	
Invested in Capital Assets	622,145
Unrestricted	(2,828,494)
Total Net Position	$ (2,206,349)

See accompanying notes to the basic financial statements

MENLO PARK ACADEMY
CUYAHOGA COUNTY

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

<u>Operating Revenues</u>		
State Aid	$	2,431,330
Classroom Materials and Fees		172,059
Charges for Services		73,730
Other		106,815
Total Operating Revenues		2,783,934
<u>Operating Expenses</u>		
Salaries		1,559,659
Fringe Benefits		426,820
Pension Expense – GASB 68		88,335
Purchased Services		901,309
Materials and Supplies		172,189
Other		13,053
Depreciation		76,826
Total Operating Expenses		3,238,191
Operating Income (Loss)		(454,257)
<u>Non-Operating Revenues</u>		
Federal and State Grants		61,181
Interest Revenue		257
Fundraising and Donations		129,591
Intergovernmental Revenue		90,686
Total Non-Operating Revenues		281,715
Change in Net Position		(172,542)
Net Position, Beginning of Year		(2,033,807)
Net Position, End of Year	$	(2,206,349)

See accompanying notes to the basic financial statements

MENLO PARK ACADEMY
CUYAHOGA COUNTY

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

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 2,442,737
Cash Received from Other Operating Sources	352,232
Cash Payments to Suppliers for Goods and Services	(1,106,068)
Cash Payments to Employees for Services	(1,530,198)
Cash Payments for Employee Benefits	(446,138)
Net Cash (Used for) Operating Activities	(287,435)
Cash Flows from Non-capital Financing Activities	
Cash Received from Other Local Governmental Sources	85,861
Cash Received from Contributions	129,591
Cash Received from Federal Grants	61,181
Net Cash Provided by Non-capital Financing Activities	276,633
Cash Flows from Capital and Related Financing Activities	
Cash Received from Loan Proceeds	475,000
Cash Received from Advances	4,536
Acquisition of Capital Assets	(439,912)
Net Cash Provided by Capital and Related Financing Activities	39,624
Cash Flows from Investing Activities	
Cash Received from Interest	257
Net Increase in Cash and Cash Equivalents	29,079
Cash and Cash Equivalents, Beginning of Year	226,078
Cash and Cash Equivalents, End of Year	$ 255,157

(Continued)

MENLO PARK ACADEMY
CUYAHOGA COUNTY

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

RECONCILIATION OF OPERATING LOSS TO NET CASH (USED FOR) OPERATING ACTIVITIES

Operating Loss	$	(454,257)
Depreciation		76,826
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:		
(Increase)/ Decrease in Accounts Receivable		15,175
(Increase)/ Decrease in Deferred Outflows		(265,021)
(Increase)/ Decrease in Other Assets		(80,329)
Increase/ (Decrease) in Accounts Payable		60,812
Increase/ (Decrease) in Accrued Wages and Benefits		6,003
Increase/ (Decrease) in Deferred Inflows		(336,661)
Increase/ (Decrease) in Net Pension Liability		690,017
Net Cash (Used for) Operating Activities	$	(287,435)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE ENTITY

Menlo Park Academy ("MPA") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. MPA 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 MPA's tax-exempt status. MPA's objective is to provide educational services to gifted students in grades kindergarten through 8th grade. MPA, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. MPA may acquire facilities as needed and contract for any services necessary for the operation of MPA.

MPA entered into a sponsorship agreement with Educational Service Center of Lake Erie West (the "Sponsor") on September 16, 2008 amended as of July 1, 2011 for a period through June 30, 2021. The Sponsor is responsible for evaluating the performance of MPA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

MPA operates under the direction of a 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. The Governing Board controls MPA's one instructional/support facility staffed by 9 noncertified and 27 certified personnel who provide services to students.

Component Unit - As defined by GAAP, the reporting entity consists of the School as well as a component unit, which are legally separate organizations for which the officials of the School are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the School, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School, or (c) the component unit is financially dependent on the School. In addition, component units can be other organizations for which the nature and significance of their relationship with a School are such that exclusion would cause the reporting entity's financial statements to be misleading.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the component unit outside of the basic financial statement totals of the primary government. The School is reporting one blended component unit within its financial statements. The blending method was applied to the component unit mainly because the management of the School has operational responsibilities for the component unit.

West 53rd Holdings, LLC – On December 4, 2014 Menlo Park Academy formed West 53rd Holdings, LLC which is a wholly-owned and controlled subsidiary. West 53rd Holdings, LLC was formed to acquire, hold, invest in, secure financing for, construct, rehabilitate, develop, improve, maintain, operate, and lease real property in a manner that furthers the charitable purpose of the School, by providing a decent, safe, sanitary facility for school operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Measurement Focus and Basis of Accounting

Enterprise accounting used a flow of economic resources measurement focus. Under this measurement focus, all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources are included on the Statement of Net Position. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did have one investment account during the fiscal year ended June 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost after being placed in service. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were $1,097,145, as of June 30, 2016, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets once the asset has been placed in service. The useful lives of each asset class is as follows:

Asset Class	Useful Life
Computers & Technology Assets	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years
Building	39 years
Leasehold Improvements	2-4 years

The School's policy for asset capitalization threshold is $5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

G. Intergovernmental Revenues

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

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

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

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded $2,431,330 this fiscal year from the Foundation Program and $61,181 from Federal and State grants and $90,686 from other intergovernmental sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "invested in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. MPA had no outstanding debt. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by MPA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

MPA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of Accounts Payable, Accrued Wages and Benefits, Loan Payable and Advances Payable totaling $734,695 at June 30, 2016.

J. Exchange and Non-Exchange Transactions

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

K. Operating Revenues and Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 9)

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deletions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Implementation of Accounting Principles

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Implementation of Accounting Principles (Continued)

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

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

3. CASH AND CASH EQUIVALENTS

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

The School maintains its cash and investment balances at Huntington Bank, located in Cleveland Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2016, the book amount of the School’s deposits was $255,157 and the bank balance was $271,259.

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

4. RECEIVABLES

The School has intergovernmental receivables totaling $88,755 at June 30, 2016. These receivables represented monies earned, but not received as of year end.

5. CAPITAL ASSETS

For the fiscal year ended June 30, 2016, the School's capital assets consisted of the following:

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Capital Assets:				
Building	$ 287,916	$ -	$ -	$ 287,916
Construction in Progress	247,634	429,622	-	677,256
Furniture, Fixtures, & Equipment	124,986	-	-	124,986
Instructional Computers & Software	159,510	10,290		169,800
Leasehold Improvements	82,714	-	-	82,714
Total Capital Assets	902,760	439,912	-	1,342,672
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	(71,103)	(11,187)	-	(82,290)
Instructional Computers & Software	(53,171)	(56,600)		(109,771)
Leasehold Improvements	(44,427)	(9,039)	-	(53,466)
Total Accumulated Depreciation	(168,701)	(76,826)	-	(245,527)
Capital Assets, Net	$ 734,059	$ (363,086)	$ -	$ 1,097,145

6. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 07/01/15	Additions	Deductions	Principal Outstanding 06/30/16
Net Pension Liability:				
STRS	$ 2,601,791	$ 584,639	-	$ 3,186,430
SERS	420,159	105,378	-	525,537
Total Net Pension Liability	3,021,950	690,017	-	3,711,967
Total Long-Term Obligations	$ 3,021,950	$ 690,017	-	$ 3,711,967

7. LOAN PAYABLE

On October 6th, 2015 West 53rd entered into a loan agreement to borrow $475,000 from IFF. This loan was used to pay for costs related to the building expansion and renovations. This loan is scheduled to be paid in full to IFF upon closing for long-term funding for the Federal and State tax credits during fiscal year 2017.

8. RISK MANAGEMENT

A. Property & Liability

MPA 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. Insurance settlements did not exceed insurance coverage for the past three years. For the fiscal year ended 2016, MPA contracted with Wells Fargo Insurance Services and had the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	3,000,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
Employer's (OH Stop Gap) Liability	1,000,000
Automotive Liability - Non-owned Automobiles	1,000,000
Personal Property ($2,500 deductible)	150,000
Computer Equipment ($1,000 deductible)	115,000
Playground Equipment ($1,000 deductible)	23,300
Modular Classroom	20,000
Excess Liability Umbrella	5,000,000
Crime ($2,500 deductible)	250,000
Professional Educators Legal Liability ($1,000 deductible)	1,000,000
Sexual Abuse Liability each claim	1,000,000
Sexual Abuse Liability Aggregate	3,000,000
Directors and Officers Liability	1,000,000

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 calculated by the State.

C. Employee Medical and Dental Benefits

The School has contracted with a private carrier to provide employee medical and dental insurance to its full time employees.

9. DEFINED BENEFIT PENSIONS PLANS

A. Net Pension Liability

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

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. Net Pension Liability (Continued)

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. Plan Description – School Employees Retirement System (SERS) (Continued)

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

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

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

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

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

The School's contractually required contribution to SERS was $43,356 for fiscal year 2016.

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

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

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

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

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

C. Plan Description – State Teachers Retirement System (STRS) (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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $178,303 for fiscal year 2016. There were no contributions to the DC and Combined Plans for fiscal year 2016.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 525,537	$3,186,430	$3,711,967
Proportion of the Net Pension Liability	0.00921010%	0.01152955%	
Pension Expense	$ 36,667	$ 273,326	$ 309,993

At June 30, 2016, 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	$ 8,170	$143,798	$151,968
Change in proportionate share	27,887	519,953	547,840
School contributions subsequent to the measurement date	43,356	178,303	221,659
Total Deferred Outflows of Resources	$ 79,413	$842,054	$ 921,467
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 11,819	$ 201,054	$ 212,873
Total Deferred Inflows of Resources	$ 11,819	$ 201,054	$ 212,873

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

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

$221,659 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$ 4,182	$ 114,610	$ 118,792
2018	4,182	114,610	118,792
2019	4,144	114,610	118,754
2020	11,730	118,867	130,597
Total	$ 24,238	$ 462,697	$ 486,935

E. Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$ 728,731	$ 525,537	$ 354,431

F. Actuarial Assumptions – STRS

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

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

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

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

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

9. DEFINED BENEFIT PENSIONS PLANS (Continued)

F. Actuarial Assumptions – STRS (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
	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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	$ 4,426,192	$ 3,186,430	$ 2,138,027

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were $4,956, $303, and $1,833, respectively. For fiscal year 2016, 2015, and 2014, 100.00 percent has been contributed.

B. State Teachers Retirement Systems

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

10. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $4,319 respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

11. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Litigation

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

C. Full-Time Equivalency

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

12. PURCHASED SERVICES

For the period of July 1, 2015 through June 30, 2016, the School made the following purchased services commitments.

Professional and Technical Services	$ 564,651
Property Services	242,470
Travel and Meetings	10,096
Utilities	31,840
Communications	15,134
Contractual Trade Services	4,541
Pupil Transportation	32,577
	$ 901,309

13. LEASE OBLIGATIONS

MPA entered into an operating lease for the period June 1, 2009 through June 30, 2012 with Most Rev. Richard G. Lennon, Bishop of the Roman Catholic Diocese of Cleveland and Trustee for St. Mel Church to lease space to house MPA. At the end of fiscal year 2015, the lease was extended again to June 30, 2016 Payments made totaled $170,837 for the fiscal year ended June 30, 2016.

On March 31st, 2016 MPA entered into a sublease agreement with D'Anconia Development Company, LLC for fiscal year 2017 for the current school location.

14. SUBSIDIARY COMPANY

West 53rd Holdings, LLC was formed by the School on December 4, 2014 for the sole purpose of purchasing a building and renovating it for the School's use. West 53rd Holdings, LLC is a single member LLC whose sole member is the School. West 53rd Holdings, LLC only transactions will be those related to the building purchased and renovated for the School's use and will be included in the School's financial statements. During the fiscal year the School loaned the money to make the initial opening deposit for the West 53rd Holdings, LLC bank account to begin paying for applicable expenses.

Below is a summary of the activity for West 53rd Holdings, LLC for the fiscal year ended June 30, 2016:

Statement of Net Position

	2016
Current Assets	$ 90,723
Capital Assets	717,537
Current Liabilities	(524,122)
Net Position	$ 284,138

14. SUBSIDIARY COMPANY (Continued)

Summary of Receipts and Expenses

	2016
Operating Expenses	
Fiscal Charges	$ (528)
Total Operating Expenses	(528)
Change in Net Position	(528)
Net Position, Beginning of Year	284,666
Net Position, End of Year	$ 284,138

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

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

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.00921010%	0.008302%	0.008302%
School's Proportionate Share of the Net Pension Liability	$ 525,537	$ 420,159	$ 514,340
School's Covered-Employee Payroll	$ 277,272	$ 243,449	$ 251,242
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.54%	172.59%	204.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

Information prior to 2013 is not available

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

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

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

	2015	2014	2013
School's Proportion of the Net Pension Liability	0.01152955%	0.01069663%	0.01069663%
School's Proportionate Share of the Net Pension Liability	$ 3,186,430	$ 2,601,791	$ 2,541,804
School's Covered-Employee Payroll	$ 1,202,914	$ 1,176,969	$ 890,423
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.89%	221.06%	285.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

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

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL EMPLOYEE'S RETIREMENT SYSTEM OF OHIO
LAST EIGHT FISCAL YEARS

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 43,356	$ 36,545	$ 33,742	$ 34,772	$ 23,097
Contributions in Relation to the Contractually Required Contribution	$ (43,356)	$ (36,545)	$ (33,742)	$ (34,772)	$ (23,097)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 309,686	$ 277,272	$ 243,449	$ 251,242	$ 171,724
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%

	2011	2010	2009
Contractually Required Contribution	$ 11,706	$ 6,742	$ 901
Contributions in Relation to the Contractually Required Contribution	$ (11,706)	$ (6,742)	$ (901)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 93,126	$ 49,793	$ 9,157
Contributions as a Percentage of Covered-Employee Payroll	12.57%	13.54%	9.84%

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2016

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 178,303	$ 168,408	$ 153,006	$ 115,755	$ 92,691
Contributions in Relation to the Contractually Required Contribution	$ (178,303)	$ (168,408)	$ (153,006)	$ (115,755)	$ (92,691)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 1,273,593	$ 1,202,914	$ 1,176,969	$ 890,423	$ 713,008
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%

	2011	2010	2009
Contractually Required Contribution	$ 78,332	$ 44,394	$ 17,437
Contributions in Relation to the Contractually Required Contribution	$ (78,332)	$ (44,394)	$ (17,437)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 602,554	$ 341,492	$ 134,131
Contributions as a Percentage of Covered-Employee Payroll	13.00%	13.00%	13.00%

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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*

Menlo Park Academy
Cuyahoga County
14440 Triskett Road
Cleveland, Ohio 44111

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 Menlo Park Academy, Cuyahoga 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 April 24, 2017.

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 opinion 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.

Dave Yost
Auditor of State
Columbus, Ohio

April 24, 2017

Dave Yost • Auditor of State

MENLO PARK ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 25, 2017

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