

***EVEREST HIGH SCHOOL
(A COMPONENT UNIT OF REYNOLDSBURG
CITY SCHOOL DISTRICT)
FRANKLIN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017





Dave Yost • Auditor of State

Board of Education
Everest High School
1555 Graham Road
Reynoldsburg, Ohio 43068

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 12, 2018

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EVEREST HIGH SCHOOL
(a Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY
AUDIT REPORT
For the year ended June 30, 2017

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Auditors.....	1-2
Management’s Discussion and Analysis.....	3-6
Statement of Net Position – Modified Cash Basis	7
Statement of Receipts, Disbursements and Changes in Net Position– Modified Cash Basis	8
Notes to the Basic Financial Statements	9-25
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26-27
Schedule of Findings.....	28
Prepared by Management:	
Status of Prior Audit Findings	29
Corrective Action Plan.....	30

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Everest High School
Franklin County
1555 Graham Rd
Reynoldsburg, Ohio 43068

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of Everest High School, Franklin County, Ohio (the School), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise 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 the modified cash accounting basis Note 2 describes; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe the audit evidence we 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 modified cash financial position of Everest High School, Franklin County Ohio as of June 30, 2017, and the changes in modified cash financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The management's discussion and analysis on pages 3-6, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 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 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.



Charles E. Harris & Associates, Inc.

November 1, 2017

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

The management's discussion and analysis of the Everest High School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- The total assets and net position of the School were \$897,489 as of June 30, 2017. Of this amount, \$897,248 (unrestricted net position) may be used to meet the School's ongoing obligations.
- The School's net position decreased by \$54,766 during the fiscal year. The School's operating disbursements of \$658,298 and non-operating disbursements of \$15,527 exceeded operating and non-operating receipts of \$523,213 and \$95,846, respectively.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School's modified cash basis of accounting.

Report Components

The statement of net position and the statement of cash receipts, disbursements, and changes in net position provide information about the School as a whole.

The management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of two components: the financial statements and the notes to the financial statements.

The statement of net position and the statement of cash receipts, disbursements, and changes in net position reflect how the School did financially during the fiscal year. The change in net position is important because it tells the reader whether the modified cash position of the School has increased or decreased during the period.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School has elected to present its financial statements using the modified cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid with the exception of investment purchases and sales of investments.

As a result of using the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Financial Analysis

Table 1 provides a summary of the School's net position at fiscal year-end.

Table 1
Net Position at Year End

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets	\$ 897,489	\$ 952,255
Total Assets	<u>897,489</u>	<u>952,255</u>
Net Position:		
Restricted	241	241
Unrestricted	897,248	952,014
Total Net Position	<u>\$ 897,489</u>	<u>\$ 952,255</u>

Current Assets decreased significantly during the fiscal year as a result of operations.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2017.

Table 2
Changes in Net Position

	2017	2016
Operating Receipts:		
Foundation Receipts	\$ 522,738	\$ 617,898
Tuition and Fees	475	620
Total Operating Receipts	523,213	618,518
Operating Disbursements:		
Salaries and Wages	204,128	195,364
Fringe Benefits	54,495	41,545
Purchased Services	339,039	344,176
Materials and Supplies	28,520	7,894
Other	32,116	30,018
Total Operating Disbursements	658,298	618,997
Operating Loss	(135,085)	(479)
Nonoperating Receipts (Disbursements)		
Federal and State Grants	92,885	60,778
Interest Income	2,861	2,862
Miscellaneous Receipts	100	5,758
Capital Outlay	(15,527)	(10,911)
Total Nonoperating Receipts (Disbursements)	80,319	58,487
Change in Net Position	(54,766)	58,008
Net Position, Beginning of Year	952,255	894,247
Net Position, End of the Year	\$ 897,489	\$ 952,255

Foundation Receipts decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in student enrollment.

Federal and State Grants increased significantly in comparison with the prior fiscal year. This increase is primarily the result of increases in State Economic Disadvantaged and Federal Title I funding.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Budget Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the School's contract with its Sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement as part of preparing a five-year forecast, which is updated on a semi-annual basis.

Current Financial Issues

The School depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding of operations of the School in future fiscal years due to the State's current economic environment. The School is expected to grow in both the number of students, as well as the number of support staff, as it enters into its eighth year of operation, which will impact the School's funding since the School receives the majority of its finances from state aid.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Everest High School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Everest High School, 1555 Graham Road, Reynoldsburg, Ohio 43068.

**EVEREST HIGH SCHOOL
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2017

Assets

Cash and Cash Equivalents	\$ 757,489
Investments	140,000
Total Assets	<u>897,489</u>

Net Position

Restricted for:	
Federally Funded Programs	241
Unrestricted	897,248
Total Net Position	<u>\$ 897,489</u>

See accompanying notes to the basic financial statements.

**EVEREST HIGH SCHOOL
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)
FRANKLIN COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Receipts:	
State Foundation	\$ 522,738
Fees	475
Total Operating Receipts	<u>523,213</u>
Operating Disbursements:	
Salaries and Wages	204,128
Fringe Benefits	54,495
Purchased Services	339,039
Materials and Supplies	28,520
Other	32,116
Total Operating Disbursements	<u>658,298</u>
Operating Loss	<u>(135,085)</u>
Non-Operating Receipts (Disbursements):	
Federal and State Grants	92,885
Interest Income	2,861
Miscellaneous Receipts	100
Capital Outlay	(15,527)
Total Non-Operating Receipts (Disbursements)	<u>80,319</u>
Change in Net Position	(54,766)
Net Position at Beginning of Year	<u>952,255</u>
Net Position at End of Year	<u><u>\$ 897,489</u></u>

See accompanying notes to the basic financial statements.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL

Everest High School, Franklin County, Ohio (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a high quality education to its students and contributes significantly to Ohio’s effort to provide quality education opportunities for learners in the areas of academic development, civic leadership, and a lifetime of productive work. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School’s tax exempt status. The School’s mission is to provide its students a customized and personalized educational experience leading to high school graduation and meaningful post high school employment, or successful transition to post high school education. The School is designed as a high school dropout prevention/recovery program. The target student population consists of students who are 16-21 years of age, considered to be “at risk” for graduating from high school, and who, at the time of their enrollment, are at least one grade level behind their cohort age group and/or have experienced a crisis that significantly interferes with their academic progress to the extent they cannot continue in the traditional high school program. The School, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”.

During the fiscal year, the School operated under a five-year contract with the Reynoldsburg City School District (the “Sponsor”) that commenced July 1, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Ohio Department of Education declared the Sponsor was no longer permitted to sponsor charter schools because of their “Poor” rating. Therefore, the contract was not renewed after the five-year period and ended June 30, 2017. The School entered into a new three-year sponsorship contract with St. Aloysius commencing July 1, 2017.

The School is designed to operate under the direction of a self-appointed five-member Board of Directors (the “Board”). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School’s one instructional/support facility staffed by 3 non-certified staff members and 5 certificated personnel who provide services to 85 students.

As discussed further in Note 2.B, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the School’s accounting policies.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The School's basic financial statements consist of a statement of net position and a statement of cash receipts, disbursements, and changes in net position. These statements are prepared on the modified cash basis of accounting as further described in Note 2 B.

The School uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and financial position.

B. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the modified cash basis of accounting since the School's policy is to segregate investments on the Statement of Net Position. With the exception of investment purchases and sales, receipts are recorded in the School's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. Budgetary Process

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School records. Investments of the School's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

At fiscal year-end, the School's investments consisted of certificates of deposit. These investments are reported as assets at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The School had no restricted assets at fiscal year-end.

F. Prepaid Items

The School reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Inventory

The School reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. These items are not reflected as liabilities in the accompanying financial statements.

J. Pension

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

K. Accrued Liabilities and Long-Term Obligations

The School's modified cash basis financial statements do not report liabilities for accrued liabilities and long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. The School had no outstanding debt as of June 30, 2017.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Inflows and Outflows of Resources

The School's modified cash basis financial statements do not report deferred outflows and inflows of resources. The School recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

M. Net Position

Net position represents cash. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At fiscal year-end, the School had \$241 restricted for federally funded programs.

The School's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

N. Operating Receipts and Disbursements

Operating receipts are those revenues that are generated directly from the primary activity of the School. Operating disbursements are necessary costs incurred to provide the goods or services that are the primary activities of the School. All receipts and disbursements not meeting this definition are reported as non-operating.

NOTE 3 - DEPOSITS

At fiscal year-end, the carrying amount of the School's deposits was \$897,489 and the bank balance was \$916,632, including \$140,000 in certificates of deposit. Of the bank balance, \$390,000 was covered by Federal Deposit Insurance, while \$526,632 was collateralized in accordance with Ohio Revised Code.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS

Net Pension Liability

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 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.

The 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.

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.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (CONTINUED)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent and nothing was allocated to the Health Care Fund.

The School paid \$8,477 to SERS during fiscal year 2017.

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.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (CONTINUED)

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

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

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

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

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

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (CONTINUED)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School paid \$39,465 to STRS during fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - 2016	\$79,053	\$472,020	\$551,073
Proportion of the Net Pension Liability - 2016	0.0010801%	0.00141015%	
Proportion of the Net Pension Liability - 2015	<u>0.0012568%</u>	<u>0.00145699%</u>	
Change in Proportionate Share	<u>-0.0001767%</u>	<u>-0.00004684%</u>	

The net pension liability is not reported in the School's modified cash-basis financial statements.

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.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (CONTINUED)

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 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:

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

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (CONTINUED)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$ 104,662	\$ 79,053	\$ 57,618

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2016 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.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (CONTINUED)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

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

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

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	\$ 627,276	\$ 472,020	\$ 341,052

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, during the years ended June 30, 2017, 2016, and 2015 were \$200, \$676, and \$1,071, respectively; 100 percent has been contributed for each fiscal year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description – Ohio law authorizes the State Teachers Retirement System of Ohio (STRS) to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 - POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14% employer contribution rate is the maximum rate established under Ohio law.

NOTE 6 - SPONSORSHIP AGREEMENT

The School has entered into a sponsorship agreement with Reynoldsburg City School District (Sponsor) whereby the Sponsor shall receive compensation for services provided to School. As part of this agreement, the School shall compensate the Sponsor two percent (2%) of the per-pupil allocation (foundation) paid to the School by the State of Ohio. For this fee, the Sponsor shall provide the School with fiscal oversight and administrative support related to the following:

- Monitor the School's compliance with all laws applicable to the School and with the terms of the contract;
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the School at least once during the contract term;
- Report, by November 30, the results of evaluation conducted under the sponsorship agreement to the Ohio Department of Education and to the parents of students enrolled in the School;
- Provide technical assistance to the School in complying with laws applicable to the terms of the contract;
- Take steps to intervene in the School's operation, to the extent reasonable and within available resources, to correct problems in the School's overall performance, declare the School to be on probationary status pursuant to section 3314.073 of the Revised Code, suspend the operation of the School pursuant to section 3314.072 of the Revised Code, or terminate the contract of the School pursuant to section 3314.07 of the Revised Code as determined necessary; and
- Have in place a plan of action to be undertaken in the event the School experiences financial difficulties or closes prior to the end of the school year.

During the fiscal year, the School paid the Sponsor \$11,612 under this agreement. The School also paid the Sponsor \$193,301 for personnel.

The School also paid Virtual Community School of Ohio \$26,493 in exchange for fiscal services provided during the fiscal year.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 7 – LEASE AGREEMENT/RELATED PARTY

On June 16, 2014, the School entered into a two-year agreement to lease office space and classrooms starting August 1, 2014 and ending on July 31, 2016. The agreement allows the School to use space at Graham Road Elementary School (1555 Graham Road), Livingston Campus (6699 East Livingston Avenue) and the Summit Campus (8579 Summit Road). During the fiscal year, the School paid the Sponsor \$75,000 for the use of the office space and classrooms.

On June 16, 2015, the School canceled the two-year agreement entered into on June 16, 2014 and entered into a seven-year agreement to lease the school building located at 1555 Graham Road, Reynoldsburg, Ohio starting on June 1, 2015 and ending on June 30, 2022. The School agreed to pay \$75,000 per year in twelve equal monthly installments of \$6,250.

On May 22, 2017, the School canceled the seven-year agreement entered into on June 16, 2015 and entered into a three-year and one-month agreement to lease the school building located at 1555 Graham Road, Reynoldsburg, Ohio starting on June 1, 2017 and ending on June 30, 2020. The School agreed to pay \$75,000 per year in twelve equal monthly installments of \$6,250.

In addition, on August 8, 2014, the School entered into a five-year lease-purchase agreement with GFC Leasing whereas the School leases two copiers. The School agreed to pay \$256 under the lease agreement per month. The final payment is due June 25, 2019. The School paid GFC Leasing \$3,076 for use of the two printers during fiscal year 2017. The following schedule details future lease payments of the School.

<u>Term</u>	<u>Copier Machines**</u>
Fiscal year 2018	3,168
Fiscal year 2019	3,168

** GFC Leasing can increase the lease payment annually. Therefore, the maturity schedule is based on payments made in fiscal year 2017 and is subject to change in future fiscal years.

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains insurance coverage for rental/theft, general liability, contents liability. The general liability coverage is in the amount of \$2,000,000 aggregate.

The School has coverage for employee dishonesty, forgery and alternation coverage and computer equipment in the amount of \$10,000 for each, per occurrence.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 8 - RISK MANAGEMENT (CONTINUED)

Settled claims did not exceed these commercial coverage's during the past three fiscal years. There was no significant reduction in amounts of insurance coverage during the fiscal year.

The School does not own real estate, but rents facilities located at 1555 Graham Road, Reynoldsburg, Ohio 43068.

NOTE 9 - CONTINGENCIES

A. Grants - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2017, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017 and determined the School was underpaid by \$1,968.

C. Litigation - The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10 - PURCHASED SERVICES

During the fiscal year, purchased services expenses were as follows:

Instruction Services	\$ 253,729
Professional and Technical Services	58,620
Repairs and Maintenance	14,247
Other	12,443
Total	<u>\$ 339,039</u>

NOTE 11 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the School has implemented the following:

GASB Statement No. 77 “Tax Abatement Disclosures” improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans” amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 79 “Certain External Investment Pools and Pool Participants” establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have an effect on the financial statements of the School.

EVEREST HIGH SCHOOL
(A Component Unit of Reynoldsburg City School District)
Franklin County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14” amended the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73” addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the School.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' 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

Everest High School
Franklin County
1555 Graham Road
Reynoldsburg, Ohio 43068

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States 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 Everest High School (the School), a component of the Reynoldsburg City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 1, 2017. We noted the School reports on the modified cash basis of accounting, which is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Internal Controls 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 School'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

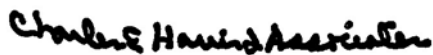
As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2017-001.

Entity's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 1, 2017

EVEREST HIGH SCHOOL
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2017-001

Noncompliance – Basis of Accounting

Ohio Administrative Code Section 117-2-03 (B) states “All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles.”

The School prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the School should use generally accepted accounting principles in future annual financial reports. By not following generally accepted accounting principles, the School can be fined and subjected to other remedies.

Officials Response:

See Corrective Action Plan

EVEREST HIGH SCHOOL
FRANKLIN COUNTY
For the Year Ended June 30, 2017

STATUS OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2016-001	Contrary to Ohio Administrative Code Section 117-2-03(B) , School does not prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	Not corrected	Reissued as finding # 2017-001.

EVEREST HIGH SCHOOL
FRANKLIN COUNTY

CORRECTIVE ACTION PLAN
June 30, 2017

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2017-001	In light of the higher costs, absence a material benefit, and financial constraints, Everest High School has chosen to prepare non-GAAP financial statements.	N/A	Toni Nijssen, Treasurer

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Dave Yost • Auditor of State

EVEREST HIGH 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
JANUARY 25, 2018**