L. HOLLINGWORTH SCHOOL
FOR THE TALENTED AND GIFTED
LUCAS COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY
JUNE 30, 2017

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

L. Hollingworth School for the Talented and Gifted
Lucas County
653 Miami Street
Toledo, Ohio 43605

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of L. Hollingworth School for the Talented and Gifted, Lucas County, Ohio (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of L. Hollingworth School for the Talented and Gifted, Lucas County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with 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 June 20, 2018, 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

June 20, 2018

As management of the L. Hollingworth School for the Talented and Gifted (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Ending net position of the School was negative $1,828,507, a decrease of $115,115 in comparison with the prior fiscal year-end.

- Total assets decreased $160,416 from the prior year and total liabilities increased $628,415 during this same 12-month period.

- The School's operating loss for fiscal year 2017 was $764,637 compared with an operating loss of $771,839 reported for the prior year.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Reporting the School's Financial Activities

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position 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 the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

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

The statement of cash flows provides information about how the School is meeting the cash flow needs of its operations.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension liability.

Financial Analysis

Table 1 provides a summary of the School's net position for 2017 and 2016:

Table 1
Net Position at Year End

	2017	2016
Assets:		
Current Assets	$ 322,351	$ 542,602
Capital Assets, Net	4,590,299	4,530,464
Total Assets	4,912,650	5,073,066
Deferred Ouflows of Resources	1,305,962	723,022
Liabilities		
Current Liabilities	352,438	560,241
Non-Current Liabilities	7,694,681	6,858,463
Total Liabilities	8,047,119	7,418,704
Deferred Inflows of Resources	-	90,776
Net Position:		
Net Investment in Capital Assets	419,660	133,770
Restricted	81,563	69,764
Unrestricted (Deficit)	(2,329,730)	(1,916,926)
Total Net Position (Deficit)	$ (1,828,507)	$ (1,713,392)

Current Assets decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of a decrease in cash and cash equivalents from operations.

Deferred Outflows of Resources and Non-Current Liabilities both increased significantly in comparison with the prior fiscal year-end. These increases are primarily the result of a change in actuarial assumptions and the difference between expected and actual investment returns, as reported by the pension systems.

Table 2 provides a summary of the School's change in net position for 2017 and 2016:

Table 2
Changes in Net Position

	2017	2016
Operating Revenues:		
Foundation Revenues	$ 2,421,204	$ 2,260,502
Other Unrestricted Grants-in-Aid	84,995	65,174
Charges for Services	19,432	-
Food Services	-	112
Classrooom Fees	3,373	3,954
Miscellaneous	56,407	-
Total Operating Revenues	2,585,411	2,329,742
Operating Expenses:		
Salaries and Wages	1,412,800	1,308,290
Fringe Benefits	723,031	472,551
Purchased Services	665,901	656,708
Materials and Supplies	310,615	297,180
Depreciation	208,118	206,265
Other	29,583	160,587
Total Operating Expenses	3,350,048	3,101,581
Operating Loss	(764,637)	(771,839)
Nonoperating Revenues (Expenses)		
Federal Grants	602,929	615,282
State Grants	300,631	166,565
Contributions and Donations	332	579
Other Nonoperating Revenues	-	24,743
Interest and Fiscal Charges	(254,370)	(261,696)
Total Nonoperating Revenues (Expenses)	649,522	545,473
Change in Net Position	(115,115)	(226,366)
Net Position, Beginning of Year (Deficit)	(1,713,392)	(1,487,026)
Net Position, End of the Year (Deficit)	$ (1,828,507)	$ (1,713,392)

Foundation Revenues increased slightly in comparison with the prior fiscal year as a result of increasing student enrollment from 325 students in fiscal year 2016 to 338 students in fiscal year 2017, and State Grants increased significantly as a result of an increase in Economic Disadvantaged Funding.

Total expenses increased in comparison with the prior fiscal year. This increase is primarily due to an increase in pension expense, as reported by the pension systems.

Capital Assets

At fiscal year-end, the School's net capital asset balance was $4.6 million, an increase of $59,835 in comparison with the prior fiscal year-end. This increase represents the amount in which current year acquisitions exceeded current year depreciation. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

At fiscal year-end, the School's loan payable balance was $4,170,639. The loan balance decreased by $126,055 due to principal payments. For more information on the School's loan payable, see Note 6 to the basic financial statements.

Current Financial Issues

The School is dependent upon legislative and governmental support to fund ongoing operations. The School is expected to grow in both the number of students and support staff, which will impact the School's funding since the School receives a majority of its financial support from per student state foundation payments.

Net Pension Liability

In accordance with governmental accounting standards, the School reports a net pension liability and deferred inflows/outflows of resources related to pensions, even though these amounts are outside the control of the School. The inclusion of these amounts had the effect of decreasing the School's net position at June 30, 2017 from positive $511,938 to negative $1,828,507.

Contacting the School

This financial report is designed to provide a general overview of the finances of the L Hollingworth School for the Talented and Gifted 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 L Hollingworth School for the Talented and Gifted, 653 Miami Street, Toledo, Ohio 43605.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Assets:	
Current Assets	
Cash and Cash Equivalents	$ 274,573
Intergovernmental Receivable	47,778
Total Current Assets	322,351
Noncurrent Assets	
Nondepreciable Capital Assets	48,200
Depreciable Capital Assets, Net	4,542,099
Total Noncurrent Assets	4,590,299
Total Assets	4,912,650
Deferred Outflows of Resources:	
Pension	1,305,962
Liabilities:	
Current Liabilities	
Accounts Payable	22,999
Accrued Wages and Benefits Payable	160,950
Intergovernmental Payable	46,124
Loans Payable	122,365
Total Current Liabilities	352,438
Noncurrent Liabilities:	
Loan Payable	4,048,274
Net Pension Liability	3,646,407
Total Noncurrent Liabilities	7,694,681
Total Liabilities	8,047,119
Net Position:	
Net Investment in Capital Assets	419,660
Restricted	81,563
Unrestricted (Deficit)	(2,329,730)
Total Net Position (Deficit)	$ (1,828,507)

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenues:	
Foundation Revenues	$ 2,421,204
Other Unrestricted Grants-in-Aid	84,995
Charges for Services	19,432
Classroom Fees	3,373
Miscellanous	56,407
Total Operating Revenues	2,585,411
Operating Expenses:	
Salaries and Wages	1,412,800
Fringe Benefits	723,031
Purchased Services	665,901
Materials and Supplies	310,615
Depreciation	208,118
Other	29,583
Total Operating Expenses	3,350,048
Operating Loss	(764,637)
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	602,929
State Grant Revenue	300,631
Contributions and Donations	332
Interest and Fiscal Charges	(254,370)
Total Non-Operating Revenues (Expenses)	649,522
Change in Net Position	(115,115)
Net Position Beginning of Year	(1,713,392)
Net Position End of Year	$ (1,828,507)

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 2,452,936
Received from Customers	19,432
Received from Classroom Fees	3,373
Received from Miscellaneous	56,407
Payments to Suppliers for Goods and Services	(994,414)
Payments to Employees for Services and Benefits	(1,827,504)
Payments for Other Operating Disbursements	(86,829)
Net Cash Used for Operating Activities	(376,599)
Cash Flows from Noncapital Financing Activities:	
Received from Federal Grants	586,689
Received from State Grants	300,631
Received from Contributions	332
Net Cash Provided by Noncapital Financing Activities	887,652
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(367,953)
Payments for Loan Principal	(126,055)
Payments for Loan Interest	(254,370)
Net Cash Used for Capital and Related Financing Activities	(748,378)
Net Decrease in Cash and Cash Equivalents	(237,325)
Cash and Cash Equivalents at Beginning of Year	511,898
Cash and Cash Equivalents at End of Year	$ 274,573

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (764,637)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	208,118
Changes in Assets and Liabilities:	
Intergovernmental Receivable	(834)
Accounts Payable	(76,680)
Accrued Wages and Benefits Payable	10,056
Intergovernmental Payable	(48,284)
Net Pension Liability and Related Deferrals	295,662
Net Cash Used for Operating Activities	$ (376,599)

See accompanying notes to the basic financial statements.

Note 1 – Description of the School and Reporting Entity

L. Hollingworth School for the Talented and Gifted (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 and aspires to create an educational environment that provides academic acceleration, personalized support, authentic assessment, and school-wide differentiated learning activities. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The Buckeye Community Hope Foundation is the School's sponsor. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 9 non-certified and 35 certificated full time teaching personnel who provided services to 338 students during the 2016-2017 school year.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the Statement of Net Position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Expenses are recognized at the time they are incurred.

C. Budgetary Process

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it biannually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $1,500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated, except land and construction in progress. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Land Improvements	10-25 years
Buildings and Building Improvements	25 years
Computers and Equipment	5 years

F. Estimates

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

G. Intergovernmental Revenue

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

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants comprise the non-operating revenues of the School. Interest and fiscal charges and loss on disposal of assets, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Position relating to expenses, which are due but unpaid as of June 30, 2017, including:

Wages and benefits payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2017 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2017.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2017 that were paid in the subsequent fiscal year.

J. Deferred Outflows/Inflows of Resources

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Pensions

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

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the School at year-end represents resources held for food service programs and unspent state and federal grant proceeds. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3 – Deposits

At June 30, 2017, the carrying amount of the School's deposits was $274,573 and bank balance was $322,409. Of the School's bank balance, $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial credit risk.

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.

Note 4 – Intergovernmental Receivables

All intergovernmental receivables are considered collectable in full due to the stable condition of State programs. The principal items of receivables at June 30, 2017 is as follows:

Source	Amount
Title I	$ 30,334
Improving Teacher Quality	6,388
SERS Overpayment	3,306
BWC Overpayment	7,750
	$ 47,778

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 41,700	$ 6,500	$ -	$ 48,200
Construction in Progress	100,000	203,000	303,000	-
Total Nondepreciable Capital Assets	141,700	209,500	303,000	48,200
Depreciable Capital Assets:				
Land Improvements	-	34,174	-	34,174
Buildings and Building Improvements	4,601,614	314,715	-	4,916,329
Computers and Equipment	196,989	12,564	-	209,553
Total Depreciable Capital Assets	4,798,603	361,453	-	5,160,056
Less Accumulated Depreciation:				
Land Improvements	-	(927)	-	(927)
Buildings and Building Improvements	(278,250)	(187,856)	-	(466,106)
Computers and Equipment	(131,589)	(19,335)	-	(150,924)
Total Accumulated Depreciation	(409,839)	(208,118)	-	(617,957)
Total Depreciable Capital Assets, Net	4,388,764	153,335	-	4,542,099
Total Capital Assets	$ 4,530,464	$ 362,835	$ 303,000	$ 4,590,299

Note 6 – Loan Payable

Changes in the School's loan obligations during the fiscal year were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Loan Payable	$ 4,296,694	$ -	$ (126,055)	$ 4,170,639	$ 122,365
Total	$ 4,296,694	$ -	$ (126,055)	$ 4,170,639	$ 122,365

On June 4, 2014, the School entered into a Master Construction to Term Loan and Security Agreement with Raza Development Fund, Inc. The School acquired a two-story approximately 60,000 square foot facility on an approximately 1.72 acre site at 653 Miami Street in Toledo, Ohio. The Master Construction to Term Loan and Security Agreement allows the School to borrow $4,425,000 to renovate the new facility.

The Construction Loan and Term Loan are evidenced by a promissory note and is secured by a mortgage on the property. Upon issuance, the School was charged a 2% origination fee totaling $88,500. The Construction Loan carries an interest rate of 6% and matures on June 3, 2015 (12 months after the Closing Date).

During fiscal year 2014, the School borrowed $2,897,901 of the approved borrowing amount. The remaining $1,527,099 was borrowed early in fiscal year 2015.

Subject to terms and conditions outlined in the Master Construction to Term Loan and Security Agreement, on June 3, 2015, the Construction Loan was converted to a Term Loan for $4,425,000. The interest rate on the Term Loan is 6%. The maturity date of the Term Loan will be seven years after the conversion date. The Term Loan will be repaid with monthly principal and interest payments of $31,702, beginning on July 1, 2015 through maturity. The amount will be fully amortized over 20 years, with a balloon payment of approximately $3,599,255 due at the end of the seven-year term.

If the Term Loan is repaid within the first year after the conversion date, the lender will be entitled to a fee equal to 3% of the loan amount. Each year thereafter, the fee will be reduced by 1%, such that the loan will be freely repayable after the fourth year of the Term Loan.

Note 6 – Loan Payable (Continued)

Debt-service-to-maturity requirements to retire the loan are as follows:

Fiscal Year Ended June 30:	Principal	Interest	Total
2018	122,365	226,357	348,722
2019	141,376	239,049	380,425
2020	150,095	230,331	380,426
2021	3,756,803	222,873	3,979,676
Total	$ 4,170,639	$ 918,610	$ 5,089,249

Note 7 – Risk Management

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2017, the School contracted with Hanover Insurance Group for its insurance coverage as follows:

Collective coverage amounts are as follows:

General Liability:	
Building and Contents	$ 6,011,578
Per Occurrence	$ 1,000,000
Damage to Rented Premises	$ 100,000
Med Exp	$ 15,000
Personal & Adv Injury	$ 1,000,000
General Aggregate/Products	$ 3,000,000
Umbrella Liability:	
Each Occurrence/Aggregate	$ 2,000,000
Workers Compensation & Employers' Liability:	
Each Accident/Disease	$ 1,000,000
Automobile Liability:	
Combined Single Limit	$ 1,000,000

There was no significant reduction in coverage during the year. Settlement amounts have not exceeded coverage amounts during the prior three fiscal years.

Note 7 – Risk Management (Continued)

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

The School carries their medical and dental insurance through Paramount Health Care, their dental insurance through Delta Dental, and their vision insurance through AlwaysCare. The School pays 70% of medical, dental and vision benefits for most employees. The School's pays 100% of medical, dental and vision benefits for eligible full-time administrative staff. The annual cost of medical insurance is based upon gender and age.

Note 8 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

Note 8 – Defined Benefit Pension Plans (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

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.

Note 8 – Defined Benefit Pension Plans (Continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. There was no amount allocated to the Health Care Fund.

The School's contractually required pension contribution to SERS was $57,015 for fiscal year 2017 of which the entire amount has been paid.

Plan Description - State Teachers Retirement System (STRS)

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

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.

Note 8 – Defined Benefit Pension Plans (Continued)

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.

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, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $140,777 for fiscal year 2017. Of this amount, $30,066 is reported as an intergovernmental payable.

Note 8 – Defined Benefit Pension Plans (Continued)

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, 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 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 - 2017	$893,703	$2,752,704	$3,646,407
Proportion of the Net Pension Liability - 2017	0.01221060%	0.00822365%	
Proportion of the Net Pension Liability - 2016	0.01162680%	0.00728584%	
Total	0.00058380%	0.00093781%	
Pension Expense	$117,344	$376,110	$493,454

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 12,054	$ 111,222	$ 123,276
Changes of assumptions	59,660	-	59,660
Difference between projected and actual investment earnings	73,718	228,548	302,266
Changes in proportionate share	57,140	565,828	622,968
School contributions subsequent to the measurement date	57,015	140,777	197,792
Total Deferred Outflows of Resources	$ 259,587	$ 1,046,375	$ 1,305,962

$197,792 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, 2018.

Note 8 – Defined Benefit Pension Plans (Continued)

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:			
2018	$60,233	$220,282	$280,515
2019	61,879	320,401	382,280
2020	59,270	207,865	267,135
2021	21,190	157,050	178,240
Total	$202,572	$905,598	$1,108,170

Actuarial Assumptions - SERS

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

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

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

Note 8 – Defined Benefit Pension Plans (Continued)

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

Wage Inflation	3.25 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 actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) morality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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:

Note 8 – Defined Benefit Pension Plans (Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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	$1,183,207	$893,703	$651,376

Note 8 – Defined Benefit Pension Plans (Continued)

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. 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.

Note 8 – Defined Benefit Pension Plans (Continued)

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 assumptions 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 School'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	$3,658,119	$2,752,704	$1,988,932

Social Security

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

Note 9 – Post-employment Benefits

A. School Employees Retirement System

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

Note 9 – Post-employment Benefits (Continued)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0%. 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.

School contributions assigned to health care for the years ended June 30, 2017, 2016 and 2015 were $6,706, $6,103, and $9,076, respectively. The entire amount has been contributed for fiscal years 2015 and 2016. For fiscal year 2017, the entire amount is reported as intergovernmental payable.

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

B. State Teachers Retirement System

Plan Description – The District participates to the cost sharing multiple-employer defined benefit Health Plan (the "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. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Note 9 – Post-employment Benefits (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 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 2017, STRS did not allocate any employer contributions to post-employment health care.

The School's contractually required health care contributions to STRS for fiscal years 2017, 2016 and 2015 were $0, $0, and $0, respectively. The entire amount has been contributed for each fiscal year.

Note 10 – Restricted Net Position

At June 30, 2017, the School reported restricted net position totaling $81,563. The nature of the net position restrictions are as follows:

Food Services	$69,463
Other Grants	12,100
Total	$81,563

Note 11 – Contingencies

A. **Grants Review -** The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 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. **Full-Time Equivalency Reviews –** 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.

Note 11 – Contingencies (Continued)

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 overpaid by $6,591. $6,742 is reported as intergovernmental payable on the statement of net position.

Note 12 – Contracted Fiscal Services

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve-month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.

2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.

3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

In addition, M&A provides various business and operations support services to the School. Payments to M&A during the fiscal year totaled $164,063.

Note 13 – Purchased Services

During the fiscal year, purchased service expense consisted of the following:

Instruction Services	$ 15,367
Legal Services	31,597
Other Professional and Technical Services	385,779
Garbage Removal and Cleaning	68,609
Repairs and Maintenance	17,131
Rentals	19,700
Other Property Services	9,788
Meeting and Travel Expenses	31,767
Postage	5,079
Advertising	18,567
Other Communication Services	765
Utilities	59,302
Transportation Services	2,450
Total	$ 665,901

Note 14 – Change in Accounting Principles

For fiscal year 2017, the School implemented *GASB Statement No. 77 "Tax Abatement Disclosures"* which 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 a significant effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 78 "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans"* which amends 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.

For fiscal year 2017, the School implemented *GASB Statement No. 79 "Certain External Investment Pools and Pool Participants"* which 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.

Note 14 – Change in Accounting Principles (Continued)

For fiscal year 2017, the School implemented *GASB Statement No. 80 "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14"* which amends the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparablilty of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 82 "Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73"* which 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.

Note 15 – Subsequent Event

In August 2017, the School borrowed an additional $165,032 from Raza Development Fund, Inc. to finance a parking lot project.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST FOUR FISCAL YEARS (1)

	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.012211%	0.011627%	0.010561%	0.010561%
School's Proportionate Share of the Net Pension Liability	$ 893,703	$ 663,436	$ 534,486	$ 628,029
School's Covered-Employee Payroll	$ 384,631	$ 343,935	$ 308,024	$ 292,371
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	232.35%	192.90%	173.52%	214.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.
Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST FOUR FISCAL YEARS (1)

	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00822365%	0.00728584%	0.00522783%	0.00522783%
School's Proportionate Share of the Net Pension Liability	$ 2,752,704	$ 2,013,593	$ 1,271,589	$ 1,514,709
School's Covered-Employee Payroll	$ 923,660	$ 811,306	$ 548,457	$ 515,412
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	298.02%	248.19%	231.85%	293.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.
Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST EIGHT FISCAL YEARS (1)

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 57,015	$ 53,848	$ 45,331	$ 42,692	$ 40,465	$ 37,784	$ 25,226	$ 8,520
Contributions in relation to the contractually required contribution	$ 57,015	$ 53,848	$ 45,331	$ 42,692	$ 40,465	$ 37,784	$ 25,226	$ 8,520
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371	$ 280,918	$ 200,684	$ 62,925
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

(1) Fiscal year 2010 was the School's first year of operation.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST EIGHT FISCAL YEARS (1)

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 140,777	$ 129,312	$ 113,583	$ 71,299	$ 67,004	$ 51,268	$ 49,182	$ 18,838
Contributions in relation to the contractually required contribution	$ 140,777	$ 129,312	$ 113,583	$ 71,299	$ 67,004	$ 51,268	$ 49,182	$ 18,838
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412	$ 394,366	$ 378,323	$ 144,908
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Fiscal year 2010 was the School's first year of operation.

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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*

L. Hollingworth School for the Talented and Gifted
Lucas County
653 Miami Street
Toledo, Ohio 43605

To the Board of Trustees:

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 L. Hollingworth School for the Talented and Gifted, Lucas County, Ohio (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated June 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

June 20, 2018

Dave Yost • Auditor of State

L. HOLLINGWORTH SCHOOL FOR TALENTED AND GIFTED

LUCAS 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
JULY 12, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov