



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ORCHARD PARK ACADEMY  
CUYAHOGA COUNTY  
JUNE 30, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Orchard Park Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy'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 the Orchard Park Academy, Cuyahoga County as of June 30, 2018, 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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 May 22, 2019, on our consideration of the Academy'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 Academy's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

May 22, 2019

## **ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)**

The discussion and analysis of the Orchard Park Academy (the School), financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first year of financial reporting for the School comparative prior year fiscal information does not exist. Subsequent reports will include the comparative information.

### **FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2017-2018 school year are as follows:

- Total assets were \$168,857.
- Deferred outflows were \$44,446.
- Total liabilities were \$826,363.
- Total net position was (\$613,060).
- Total operating and non-operating revenues were \$596,550. Total operating expenses were \$1,209,610.

### **USING THIS ANNUAL REPORT**

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

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)**

***Statement of Net Position*** - The Statement of Net Position answers the question of how the School performed financially during 2018. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2018. This is the School's first year of operation, therefore, comparative information is not available.

**Table 1  
Statement of Net Position**

	<b>2018</b>
<b>Assets</b>	
Current Assets	\$ 39,738
Capital Assets, Net	129,119
Total Assets	<u>168,857</u>
<b>Total Deferred Outflows of Resources</b>	<u>44,446</u>
<b>Liabilities</b>	
Current Liabilities	826,363
Total Liabilities	<u>826,363</u>
<b>Net Position</b>	
Net Investment in Capital Assets	129,119
Unrestricted	(742,179)
<b>Total Net Position</b>	<u>\$ (613,060)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School's net position totaled \$(613,060).

Current assets represent cash and cash equivalents, intergovernmental receivable and grants receivable. Current liabilities represent accounts payable and accrued expenses.



ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)

***Statement of Revenues, Expenses and Change in Net Position*** - Table 2 shows the change in net position for fiscal year 2018, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. This is the School's first year of operation, therefore, comparative information is not available.

**Table 2**  
**Change in Net Position**

	<u>2018</u>
<b>Operating Revenue</b>	
State Aid	\$ 519,580
Intergovernmental Revenue	1,543
Total Operating Revenues	<u>521,123</u>
<b>Non-Operating Revenues</b>	
Federal Grants	75,427
Total Non-Operating Revenue	<u>75,427</u>
<b>Total Revenues</b>	<u>\$ 596,550</u>
<b>Operating Expenses</b>	
Purchased Services	447,075
Facility Costs	247,387
Professional Fees	264,242
Legal Fees	24,369
Sponsor Fees	15,274
Materials and Supplies	126,408
Miscellaneous	55,001
Depreciation	29,854
Total Operating Expenses	<u>1,209,610</u>
<b>Change in Net Position</b>	(613,060)
<b>Net Position, Beginning of Year</b>	<u>-</u>
<b>Net Position, End of Year</b>	<u>\$ (613,060)</u>

## **ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)**

#### **BUDGET**

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

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

#### **CAPITAL ASSETS**

At fiscal year end, the School's net capital asset balance was \$129,119. There were current year additions of \$158,973 offset by current year depreciation of \$29,854. For more information on capital assets, see Note 5 of the Basic Financial Statements.

#### **CURRENT FINANCIAL ISSUES**

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In fiscal year 2018, the State raised the base per pupil funding to \$6,010, which is up from the \$6,000 in the previous year.

The full-time equivalent enrollment of the School for the year ended June 30, 2018 was 54.

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

#### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 1500 Superior Avenue NE, Canton, Ohio 44705 or e-mail at [dave@massasolutionsllc.com](mailto:dave@massasolutionsllc.com).

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**ORCHARD PARK ACADEMY –  
CUYAHOGA COUNTY, OHIO**  
Statement of Net Position  
At June 30, 2018

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$	36,940
Intergovernmental Receivable		478
Grants Receivable		2,320
		39,738
 Total Current Assets		 39,738

*Noncurrent Assets:*

Capital Assets:

Depreciable Capital Assets, net		129,119
		129,119
 Total Noncurrent Assets		 129,119

Total Assets		168,857
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Deferred Outflows Pension		41,835
Deferred Outflows OPEB		2,611
		44,446

Total Deferred Outflows		44,446
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**Liabilities**

*Current Liabilities:*

Accounts Payable		818,761
Accrued Expenses		7,602
		826,363

Total Current Liabilities		826,363
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Total Liabilities		826,363
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**Net Position**

Investment in Capital Assets		129,119
Unrestricted		(742,179)
		(613,060)
Total Net Position		\$ (613,060)

See accompanying notes to the basic financial statements

**ORCHARD PARK ACADEMY –  
CUYAHOGA COUNTY, OHIO**

**Statement of Revenues,  
Expenses and Change in Net Position  
For the Year Ending June 30, 2018**

**Operating Revenues**

State Aid	\$ 519,580
Other Revenue	1,543
	521,123
 Total Operating Revenues	 521,123

**Operating Expenses**

Purchased Services	447,075
Facility Costs	247,387
Professional Fees	264,242
Legal Fees	24,369
Sponsor Fees	15,274
Materials and Supplies	126,408
Miscellaneous	55,001
Depreciation	29,854
	1,209,610
Total Operating Expenses	1,209,610

**Operating (Loss)** (688,487)

**Non-Operating Revenues**

Federal Grants	75,427
	75,427
Total Non-Operating Revenues	75,427

**Change in Net Position** (613,060)

**Net Position, Beginning of Year** -

**Net Position, End of Year** \$ (613,060)

See accompanying notes to the basic financial statements

**ORCHARD PARK ACADEMY –  
CUYAHOGA COUNTY, OHIO**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018**

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$ 519,102
Cash Received from Other Sources	1,543
Cash Payments to Suppliers for Goods and Services	<u>(397,839)</u>
Net Cash Provided By Operating Activities	<u>122,806</u>

**Cash Flows from Non-Capital Financing Activities**

Cash Received from Federal Grants	<u>73,107</u>
Net Cash Provided by Non-Capital Financing Activities	<u>73,107</u>

**Cash Flows from Capital and Related Financing Activities**

Cash Payments for Capital Acquisitions	<u>(158,973)</u>
Net Cash (Used for) capital Financing Activities	<u>(158,973)</u>

**Net Increase in Cash and Cash Equivalents** 36,940

**Cash and Cash Equivalents, Beginning of Year** -

**Cash and Cash Equivalents, End of Year** \$ 36,940

**(Continued)**

**ORCHARD PARK ACADEMY –  
CUYAHOGA COUNTY, OHIO**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018  
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

<b>Operating Loss</b>	\$ (688,487)
Depreciation	29,854
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Intergovernmental Receivable	(478)
(Increase)/ Decrease in Deferred Outflows	(44,446)
Increase/ (Decrease) in Accounts Payable	818,761
Increase/ (Decrease) in Accrued Expense	<u>7,602</u>
Net Cash Provided by Operating Activities	<u>\$ 122,806</u>

See accompanying notes to the basic financial statements.

## ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

#### **NOTE 1 - DESCRIPTION OF THE ENTITY**

Orchard Park Academy, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to improve the lives of its students by providing authentic learning experiences in a collaborative, nurturing environment that will build a foundation for student's success in school, at future work and in life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School contracted with Cambridge Education Group, LLC, an Ohio limited liability company, ("Cambridge") for most of its functions, and Cambridge is the entity with which the School Board interacts regarding day-to-day operations (See Note 10).

The School was approved for operation under a contract with St. Aloysius Orphanage, (the Sponsor) for a five year period commencing on July 1, 2017, with automatic one-year renewals thereafter. 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 Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The Government Accounting Standards Board identifies the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.



ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

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

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

**Cash and Cash Equivalents** - Cash received by the School is reflected as “Cash and Cash Equivalents” on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2018.

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

**Capital Assets and Depreciation** - Capital assets are capitalized at cost. Donated capital assets are recorded at their acquisition values as of the date received. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net position. Capital assets were \$129,119, as of June 30, 2018, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

<b><u>Asset Class</u></b>	<b><u>Useful Life</u></b>
Computers & Technology	3 years
Furniture, Fixtures, & Equipment	5 years
Leasehold Improvements	5 years

The School’s policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of net position.

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

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intergovernmental Revenues - (continued)**

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

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

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

Under the above programs the School recorded \$519,580 this fiscal year from the State Foundation Program and \$75,427 from Federal Grants.

**Compensated Absences** - Vacation is taken in a manner which corresponds with the school calendar; therefore, the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

**Accrued Liabilities** - Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of \$818,761 and accrued expenses of \$7,602 at June 30, 2018.

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

**Net Position** - Net position represent the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2018.

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

**Deferred Outflows and Inflows of Resources** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 7 and 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. The School did not have any deferred inflows of resources related to pension or OPEB as of fiscal year end.

**Implementation of New Accounting Principles** - For the fiscal year ended June 30, 2018, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Implementation of New Accounting Principles (continued)**

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the School's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2018, the book amount of the School's deposits was \$36,940 and the bank balance was \$77,051.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2018, none of the bank balance was exposed to custodial credit risk.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - RECEIVABLES**

***Intergovernmental Receivable*** - The School has intergovernmental receivables totaling \$478 at June 30, 2018. These receivables represented monies due to the School from government sources, but not received as of June 30, 2018.

***Grants Receivable*** - The School had grant receivable balances of federal grant monies totaling \$2,320 at June 30, 2018.

**NOTE 5 - CAPITAL ASSETS**

For the period ending June 30, 2018, the School's capital assets consisted of the following:

	<b>Balance 06/30/17</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/18</b>
<b>Capital Assets:</b>				
Furniture, Fixtures, & Equipment	\$ -	\$ 83,476	\$ -	\$ 83,476
Leasehold Improvements		36,397		36,397
Computers	-	39,100	-	39,100
<b>Total Capital Assets</b>	<b>-</b>	<b>158,973</b>	<b>-</b>	<b>158,973</b>
<b>Less Accumulated Depreciation:</b>				
Furniture, Fixtures, & Equipment	-	(10,104)	-	(10,104)
Leasehold Improvements		(8,889)		(8,889)
Computers	-	(10,861)	-	(10,861)
<b>Total Accumulated Depreciation</b>	<b>-</b>	<b>(29,854)</b>	<b>-</b>	<b>(29,854)</b>
<b>Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ 129,119</b>	<b>\$ -</b>	<b>\$ 129,119</b>

**NOTE 6 - RISK MANAGEMENT**

***Property & Liability*** - The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2018, the School contracted with The Cincinnati Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$10,000,000.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS**

The School has contracted with Cambridge Education Group, LLC to provide all teaching and administrative personnel. Such personnel are employees of Cambridge; however, the School is responsible for monitoring and ensuring that Cambridge makes pension contributions on its behalf. The retirement systems consider Cambridge as the “Employer of Record”, however the School is ultimately responsible for remitting contributions to each of the systems noted below.

**Net Pension Liability** - In future periods, the School will report a net pension liability on the statement of net position. The net pension liability 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 School’s obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees’ services in exchange for compensation including pension.

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

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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](http://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.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent and 0.5 percent to the Health Care Fund for fiscal 2018.

The School’s contractually required contribution to SERS was \$16,025 for fiscal year 2018.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**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](http://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. 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. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions are to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.



**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**State Teachers Retirement System (STRS) (Continued)**

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. For the fiscal year ended June 30, 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$25,810 for fiscal year 2018.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to Pensions are not applicable to the School at June 30, 2018, due to the School not being in operation during the measurement period.

At June 30, 2018, the School reported deferred outflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
School contributions subsequent to the measurement date	<u>\$ 16,025</u>	<u>\$ 25,810</u>	<u>\$ 41,835</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 16,025</u>	<u>\$ 25,810</u>	<u>\$ 41,835</u>

\$41,835 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, 2019.

ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability*** – In future periods, the School will report a net OPEB liability on the statement of net position. The net OPEB liability represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the School’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**School Employees Retirement System (SERS)**

**Health Care Plan Description** - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. 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. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School's surcharge obligation was \$2,017.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was \$2,611 for fiscal year 2018.

ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**State Teachers Retirement System (STRS)**

**Plan Description** – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to OPEBs are not applicable to the School at June 30, 2018, due to the School not being in operation during the measurement period.

At June 30, 2018, the School reported deferred outflows of resources related to OPEBs from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
School contributions subsequent to the measurement date	\$ 2,611	\$ -	\$ 2,611
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,611</u>	<u>\$ -</u>	<u>\$ 2,611</u>

\$2,611 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

## ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

#### **NOTE 9 - CONTINGENCIES**

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

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

**School Foundation** - School 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 2018.

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As a result of the fiscal year 2018 reviews, the School is due \$478 from ODE. This amount has been included in the financial statements.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. This has also been included in the financial statements.

#### **NOTE 10 - SPONSOR AND MANAGEMENT CONTRACTS**

**Sponsor** - The School contracted with St. Aloysius Orphanage as its sponsor and oversight services, monitoring and technical assistance. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2018, the total sponsorship fees paid totaled \$15,274.

**Management Company** - The School entered into an agreement with Cambridge Education Group LLC, a local nonprofit management company, to provide management and day-to-day operational functions for fiscal year 2018. The agreement was for a period of five years beginning July 1, 2017 and automatically renewed for an additional three year period beginning July 1, 2022. Management fees are calculated as 18% of the total qualified gross revenues. The total amount paid by the School for the fiscal year ending June 30, 2018 was \$96,733 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 10 - SPONSOR AND MANAGEMENT CONTRACTS (continued)**

In addition to the continuing fee described above, the School will reimburse Cambridge for its payroll and other costs eligible for reimbursement. Cambridge acknowledges that pursuant to Ohio law, Company's State Teachers Retirement System ("STRS") and State Employees Retirement System ("SERS") contributions on behalf of the Company employees employed at the School will be withheld by the State of Ohio.

The School had purchased service expenses for the year ended June 30, 2018 to Cambridge of \$350,342 for salaries and benefits and \$96,733 for management fees. At June 30, 2018, the School owed Cambridge \$533,755 for services and advances made to the School, which are included in accounts payable.

In May, 2018, the Board approved the assignment of the Management Agreement with Cambridge Education Group, LLC to Oakmont Education, LLC effective July 1, 2018.

**NOTE 11 - LEASE OBLIGATIONS**

In May 2017, the School entered into a sublease agreement with D'Anconia Development Company, LLC for the school premises. The initial lease term is for three years with a renewal option of an additional three-year term. The base rent is \$16,134 per month.

Future lease obligations are as follows:

FY 2019	\$ 193,604
FY 2020	<u>193,604</u>
Total	<u>\$ 387,208</u>

**NOTE 12 - FISCAL DISTRESS**

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2018 was \$36,940. Additionally, the School has significant liabilities at June 30, 2018 which has resulted in a deficit net position of (\$613,060). Overcoming this deficit may be difficult without significant increases in student enrollments and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

**NOTE 13 - MANAGEMENT PLAN**

The amount owed to Cambridge Education Group, LLC, at June 30, 2018 is for unpaid operating expenses and outstanding advances for the start-up of the School. Cambridge remains committed to the success of the School both academically and financially. During the School's second year of operations, stronger efforts in student recruitment and the use of Federal funds are improving the financial performance of the School.

**ORHCARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)**

	<u>2018</u>
Contractually Required Contribution	\$ 4,062
Contributions in Relation to the Contractually Required Contribution	<u>(4,062)</u>
Contribution Deficiency (Excess)	<u>-</u>
School Covered Payroll	\$ 30,089
Contributions as a Percentage of Covered Payroll	13.50%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)

	<u>2018</u>
Contractually Required Contribution	\$ 34,821
Contributions in Relation to the Contractually Required Contribution	<u>(34,821)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
School Covered Payroll	\$ 248,721
Contributions as a Percentage of Covered Payroll	14.00%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.



ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - OPEB  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)

	<u>2018</u>
Contractually Required Contribution (2)	\$ 2,611
Contributions in Relation to the Contractually Required Contribution	<u>(2,611)</u>
Contribution Deficiency (Excess)	<u>-</u>
Academy Covered Payroll	\$ 118,704
OPEB Contributions as a Percentage of Covered Payroll (2)	2.20%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

(2) Includes Surcharge

ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - OPEB  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)

	<u>2018</u>
Contractually Required Contribution	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Academy Covered Payroll	\$ 184,357
Contributions as a Percentage of Covered Payroll	0.00%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2018**

**NET PENSION LIABILITY**

**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**Changes of benefit terms:** There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Changes in assumptions:** There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018. For fiscal year 2017, 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) mortality 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 disable member 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 (h) change in discount rate from 7.75% to 7.5%.

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**Changes in benefit terms:** There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018. Effective for fiscal 2018, the cost of living adjustment COLA was reduced to zero.

**Changes in assumptions:** There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**ORCHARD PARK ACADEMY - CUYAHOGA COUNTY, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2018**

**NET OPEB LIABILITY**

***Changes in Assumptions – SERS***

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,  
including price inflation

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

***Changes in Assumptions – STRS***

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

# OHIO AUDITOR OF STATE KEITH FABER



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

Orchard Park Academy  
Cuyahoga County  
23001 Euclid Avenue  
Euclid, Ohio 44117

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Orchard Park Academy, Cuyahoga County, (the Academy) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 22, 2019.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy'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 Academy'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 Academy'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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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Keith Faber  
Auditor of State

Columbus, Ohio

May 22, 2019

# OHIO AUDITOR OF STATE KEITH FABER



## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Directors:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Orchard Park Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666 and Ohio Rev. Code Section 3314.03(a)(11)(d) for the period ended June 30, 2018. Management is responsible for complying with this requirement. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We inspected the Board minutes and observed that the Board adopted an anti-harassment policy at its meeting on October 16, 2017.

Ohio Rev. Code Section 3313.666(B) and Ohio Rev. Code Section 3314.03(a)(11)(d) specifies the following requirements must be included in anti-harassment policies. We inspected the policy for proper inclusion of these requirements:

1. A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
2. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666. The act defines that term as “any intentional written, verbal, electronic or physical act that a student has exhibited toward another particular student more than once and the behavior both (1) causes mental or physical harm to the other student, (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student,” and violence within a dating relationship.;
3. A procedure for reporting prohibited incidents;

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4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
5. A requirement that the custodial parent or guardian of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
6. A procedure for documenting any prohibited incident that is reported;
7. A procedure for responding to and investigating any reported incident;
8. A strategy for protecting a victim from new or additional harassment, intimidation, or bullying, and from retaliation following a report, including a means by which a person may report an incident anonymously;
9. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
10. A statement prohibiting students from deliberately making false reports of harassment, intimidation, or bullying and a disciplinary procedure for any student responsible for deliberately making a false report of that nature;
11. A requirement that the administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



This report is to provide assistance in the evaluation of whether the Academy has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666 and is not suitable for any other purpose.

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Keith Faber  
Auditor of State

Columbus, Ohio

May 22, 2019

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# OHIO AUDITOR OF STATE KEITH FABER



**ORCHARD PARK ACADEMY**

**CUYAHOGA COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 4, 2019**