PAUL D. WHITE SCHOOL OF EXCELLENCE
FORMERLY NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
JUNE 30, 2018

TABLE OF CONTENTS

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Paul D. White School of Excellence
(formerly New Day Academy Boarding and Day School)
Cuyahoga County

Educational Resource Consultants of Ohio, Sponsor
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Paul D. White School of Excellence, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2018, 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 the Paul D. White School of Excellence, Cuyahoga County, Ohio, 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.

Emphases of Matter

As discussed in Note 3 to the financial statements, during 2018, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. We did not modify our opinion regarding this matter.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 16 to the financial statements, the School closed effective November 16, 2019. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matter

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 January 13, 2020, 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.

Keith Faber
Auditor of State

Columbus, Ohio

January 13, 2020

This page intentionally left blank.

The discussion and analysis of Paul D. White School of Excellence's (the School) financial performance provides an overall review of the 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Total assets and deferred outflows increased $36,368, which represents a 7% increase from the prior year.
- Total liabilities and deferred inflows decreased $879,082, which represents a 24% decrease from the prior year.
- Total revenues decreased $29,293, which represents a 2% decrease from the prior year.
- Total expenses decreased $897,480, which represents a 59% decrease from the prior year.
- Total net position increased $915,450, which represents a 29% increase from the prior year.

Using this 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.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and deferred outflows and all liabilities and deferred inflows, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. 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 building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net position for fiscal year 2018 compared with fiscal year 2017.

(Table 1)
Net Position

	2018	Restated 2017	Change
Assets			
Current Assets	$ 89,313	$ 16,870	$ 72,443
Capital Assets, Net	16,022	32,686	(16,664)
Total Assets	105,335	49,556	55,779
Deferred Outflows of Resources			
Pension	436,751	464,951	(28,200)
OPEB	11,548	2,759	8,789

Total Deferred Outflows of Resources	448,299	467,710	(19,411)
Liabilities			
Current Liabilities	231,551	288,385	(56,834)
Long-Term Liabilities	1,819,066	2,668,328	(849,262)
Total Liabilities	2,050,617	2,956,713	(906,096)
Deferred Inflows of Resources			
Pension	723,228	766,867	(43,639)
OPEB	70,653	-	70,653
Total Deferred Inflows of Resources	793,881	766,867	27,014
Net Position			
Unrestricted	(2,290,864)	(3,206,314)	915,450
Total Net Position	$(2,290,864)	$ (3,206,314)	$ 915,450

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($2,739,579) to ($3,206,314).

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018 compared to fiscal year 2017.

(Table 2)

Change in Net Position

	2018	Restated 2017	Change
Operating Revenues			
Foundation	$ 1,227,979	$1,229,980	$ (2,001)
Casino	7,305	8,004	(699)
Miscellaneous	27,250	28,619	(1,369)
Non-Operating Revenues			
Federal and State Grants	275,354	300,578	(25,224)
Total Revenues	1,537,888	1,567,181	(29,293)
Operating Expenses			
Salaries & Wages	717,807	719,775	(1,968)

Fringe Benefits	165,239	54,478	110,761
Change in Net Pension and OPEB Liability	(798,089)	-	(798,089)
Purchased Services	398,375	594,627	(196,252)
Material and Supplies	92,930	59,769	33,161
Depreciation	16,664	26,610	(9,946)
Miscellaneous	26,743	59,479	(32,736)
Non-Operating Expenses			
Interest & Fiscal Charges	2,769	5,180	(2,411)
Total Expenses	622,438	1,519,918	(897,480)
Change in Net Position	915,450	47,263	868,187
Net Position, Beginning of Year (Restated)	(3,206,314)	N/A	N/A
Net Position, End of Year	$ (2,290,864)	$ (3,206,314)	$ 915,450

Total revenues decreased $29,293 during fiscal year 2018. The decrease was the result of declining federal/state and foundation revenues. Total expenses reported for fiscal year 2018 decreased by $897,480 compared to those reported for the previous fiscal year. Changes in Net Pension and OPEB Liability expense are due to recognition of pension and OPEB liabilities per GASB 68 and 75

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 expenses still include OPEB expense of $2,759 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $49,420. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Total Expenses under GASB 75	$ 622,438
Negative OPEB Expense under GASB 75	49,420
2018 Contractually Required Contribution	1,674
Adjusted 2018 Total Expenses	673,532
Total 2017 Total Expenses under GASB 45	(1,519,918)
Decrease in Total Expenses not Related to OPEB	$ (846,386)

Capital Assets
The School has $16,022 invested in capital assets net of accumulated depreciation. See Table 3 for details:

Table 3
Capital Assets

	2018	2017
Vehicles, Furniture, Fixtures and Equipment	$ 16,022	$ 32,686

See Note 6 of the notes to the basic financial statements for more detailed information on the School's capital assets.

Debt

At June 30, 2018, the School has $17,636 in capitalized leases. Table 4 summarizes the capital lease outstanding at year end.

Table 4
Outstanding Debt at Year End

	2018	2017
Capital Lease	$ 17,636	$ 35,815

See Notes 13 of the notes to the basic financial statements for more detailed information on the School's capitalized leases.

Contacting the School

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Kim Motley, Treasurer, at Kimberly.motley@neomin.org .

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Assets	
Current Assets	
Cash	$ 708
Intergovernmental Receivable	88,605
Total Current Assets	89,313
Noncurrent Assets	
Capital Assets, Net	16,022
Total Assets	105,335
Deferred Outflows of Resources	
Pension	436,751
OPEB	11,548
Total Deferred Outflows of Resources	448,299
Liabilities	
Current Liabilities	
Accounts Payable	158,499
Accrued Wages and Benefits	56,742
Capital Leases Payable	16,310
Total Current Liabilities	231,551
Long-Term Liabilities	
Due in More Than One Year:	
Capital Leases Payable	1,326
Net Pension Liability (See Note 8)	1,461,204
Net OPEB Liability (See Note 9)	356,536
Total Long-Term Liabilities	1,819,066
Total Liabilities	2,050,617
Deferred Inflows of Resources	
Pension	723,228
OPEB	70,653
Total Deferred inflows of Resources	793,881
Net Position	
Unrestricted	(2,290,864)
Total Net Position	$ (2,290,864)

See the accompanying notes to the financial statements.

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenues	
State Foundation	$ 1,227,979
Casino	7,305
Miscellaneous	27,250
Total Operating Revenues	1,262,534
Operating Expenses	
Salaries	717,807
Fringe Benefits	165,239
Change in Net Position and OPEB Liability	(798,089)
Purchased Services	398,375
Materials & Supplies	92,930
Miscellaneous	26,743
Depreciation	16,664
Total Operating Expenses	619,669
Operating Income	642,865
Non-Operating Revenues / (Expenses)	
Federal Grants	273,237
State Grants	2,117
Interest & Fiscal Charges	(2,769)
Total Non-Operating Revenues / (Expenses)	272,585
Change in Net Position	915,450
Net Position (Deficit) at Beginning of Year (Restated)	(3,206,314)
Net Position (Deficit) at End of Year	$ (2,290,864)

See the accompanying notes to the financial statements.

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Increase (Decrease) In Cash	
Cash Flows from Operating Activities	
Cash Received from the State of Ohio	$ 1,152,399
Cash Received from Other Operating Sources	27,250
Cash Payments to Employees for Services and Benefits	(862,438)
Cash Payments to Suppliers for Goods and Services	(574,129)
Net Cash Used for Operating Activities	(256,918)
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal and State Grants	266,798
Net Cash Provided by Noncapital Financing Activities	266,798
Cash Flows from Capital and Related Financing Activities	
Principal Payment	(18,179)
Interest Payment	(2,769)
Net Cash Used for Capital and Related Financing Activities	(20,948)
Net Decrease in Cash	(11,068)
Cash at Beginning of Year	11,776
Cash at End of Year	$ 708
Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Income	642,865
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	16,664
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Increase in Intergovernmental Receivable Related to Foundation	(74,955)
Decrease in Deferred Outflows	19,411
Decrease in Accounts Payable	(56,081)
Increase in Accrued Wages & Benefits	9,046
Decrease in Intergovernmental Payable	(7,930)
Decrease in Net Pension Liability	(719,994)
Decrease in Net OPEB Liability	(112,958)
Increase in Deferred Inflows	27,014
Total Adjustments	(899,783)
Net Cash Used for Operating Activities	$ (256,918)

See the accompanying notes to the financial statements.

1. DESCRIPTION OF THE ENTITY

Paul D. White School of Excellence (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. 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 is approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2016 and ending June 30, 2018. 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 a five member self-appointed Board of Trustees. The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing 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 population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

During the fiscal year, students between grades 6 through 12 were located there. The School provides transportation, which shuttles some students from one campus to the other.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

A. Basis of Presentation

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

B. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows are included on the statement of net position. Net Position is segregated into net investment in capital assets, restricted components, and unrestricted components.

Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the School's Administrator compares income and expense to actual figures on a regular basis and also prescribes that the board will review and compare expenses and income from reports prepared by the School's treasurer on a monthly basis. Under Ohio Revised Code Section 5705.391, the School must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction.

D. Cash

All monies received by the School are maintained in a demand deposit account. Total cash for all funds is presented as "cash" on the accompanying statement of net position.

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of one thousand dollars. The School did not capitalize any interest during the fiscal year. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture, fixtures, equipment, vehicles, and capital leases are computed using the straight-line method over the estimated useful life of three to seven years.

Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. The School does not have any infrastructure.

G. Intergovernmental Revenues

The School currently participates in the State Foundation and Casino Programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts received under the above programs for the 2018 fiscal year totaled $1,235.284.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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. Amounts received under the above program for the 2018 fiscal year totaled $273,237.

H. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2018 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled $231,551 at June 30, 2018.

I. Deferred Outflow / Deferred 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 consumption of net position that

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 & 9.

In addition to liabilities, the statements of net 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 and will not be recognized as an inflow of resources (revenue) until then. For the School, deferred inflows of resources are reported on the statement of net position for pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are explained in Notes 8 & 9.

J. Pensions/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.

K. Net Position
Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by 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.

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

3. CHANGES IN ACCOUNTING PRINCIPLES / RESTATEMENT OF NET POSITION

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. See below for the effect on net position as previously reported.

Net Position, June 30, 2017	$ (2,739,579)
Adjustments:	
Net OPEB Liability	(469,494)
Deferred Outflow-Payments Subsequent to Measurement Date	2,759
Restated Net Position, July 1, 2017	$ (3,206,314)

3. CHANGES IN ACCOUNTING PRINCIPLE (Continued)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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.

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.

4. DEPOSITS

At June 30, 2018, the carrying amount of the School's deposits totaled $708 and its bank balance was $2,708. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

Receivables at June 30, 2018 primarily consisted of intergovernmental (e.g. foundation and federal grants) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

ODE FTE Final Review	$74,955
SER Refund	5,376
Title I-A	6,000
Title II-A	999
Title VI-B	1,275
Total	$88,605

6. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2018 follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Capital Assets:				
Furniture, Fixtures, and Equipment	$ 92,101	$ -	$ -	$ 92,101

Vehicles	135,054	-	-	135,054
Total Capital Assets	227,155	-	-	227,155
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(89,956)	(2,144)	-	(92,100)
Vehicles	(104,513)	(14,520)	-	(119,033)
Total Accumulated Depreciation	(194,469)	(16,664)	-	(211,133)
Total Capital Assets, Net	$ 32,686	$ (16,664)	$ -	$ 16,022

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2018, the School contracted with Peerless and Netherlands Insurance Companies for property and general liability insurance. There is a $500 deductible for the general liability and a $1,000 deductible for property insurance.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

B. Workers' Compensation

The School paid the State Workers' Compensation System a premium for employee injury coverage during fiscal year 2018. The premium is calculated by multiplying the gross total payroll by a factor that is calculated by the State.

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 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

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 the accrual basis of accounting.

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 30 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.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

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 14 percent. SERS

8. DEFINED BENEFIT PENSION PLANS (Continued)

allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School's contractually required contribution to SERS was $25,325 for fiscal year 2018.

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 was 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 at age 55 with 26 years of service, or 31 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 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.

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 to apply for disability benefits. Members in the DC Plan who become disabled are

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 $64,651 for fiscal year 2018.

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 30,2017, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00702560%	0.00438405%	
Prior Measurement Date	0.00755560%	0.00486421%	
Change in Proportionate Share	-0.00053000%	-0.00048016%	
Proportionate Share of the Net Pension Liability	$ 419,764	$ 1,041,440	$ 1,461,204
Pension Expense	$ (11,823)	$ (633,634)	$ (645,457)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight-line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight-line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 18,065	$ 40,217	$ 58,282
Changes of Assumptions	21,706	227,774	249,480
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	39,013	0	39,013
School Contributions Subsequent to the Measurement Date	25,325	64,651	89,976
Total Deferred Outflows of Resources	$ 104,109	$ 332,642	$ 436,751
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 8,394	$ 8,394
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,995	34,367	36,362
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	61,753	616,719	678,472
Total Deferred Inflows of Resources	$ 63,748	$ 659,480	$ 723,228

$89,976 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. 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:			
2019	$ 20,093	$ (184,636)	$ (164,543)
2020	4,963	(137,885)	(132,922)
2021	(236)	(58,877)	(59,113)
2022	(9,784)	(10,091)	(19,875)
	$ 15,036	$ (391,489)	$ (376,453)

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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2017 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
	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 earnings were calculated using the long-term assumed investment rate of return (7.50

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 School's proportionate share of 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	$ 582,523	$ 419,764	$ 283,420

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

8. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation*	Long Term Expected Real Rate of Return**
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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 as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's Proportionate Share of the Net Pension Liability	$ 1,492,869	$ 1,041,440	$ 661,179

Assumption Changes since the Prior Measurement Date

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

8. DEFINED BENEFIT PENSION PLANS (Continued)

Benefit Term Changes since the Prior Measurement Date
Effective July 1, 2017, the COLA was reduced to zero.

9. POST-EMPLOYMENT BENEFITS

Net OPEB Liability
The net OPEB liability reported on the statement of net position 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 the accrual base of accounting.

Plan Description - 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

9. POST-EMPLOYMENT BENEFITS (Continued)

Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 $736.

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 $1,674 for fiscal year 2018.

Plan Description - 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 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 and Deferred Inflows of Resources Related to OPEB
The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate

9. POST-EMPLOYMENT BENEFITS (Continued)

share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.00691150%	0.00438405%	
Prior Measurement Date	0.00734483%	0.00486421%	
Change in Proportionate Share	-0.00043333%	-0.00048016%	
Proportionate Share of the Net OPEB Liability	$ 185,487	$ 171,049	$ 356,536
OPEB Expense	$ 6,443	$ (55,863)	$ (49,420)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 9,874	$ 9,874
School Contributions Subsequent to the Measurement Date	1,674	0	1,674
Total Deferred Outflows of Resources	$ 1,674	$ 9,874	$ 11,548
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 490	$ 7,311	$ 7,801
Changes of Assumptions	17,602	13,779	31,381
Changes in Proportionate Share and Differences between School Contributions and Proportionate Share of Contributions	9,460	22,011	31,471
Total Deferred Inflows of Resources	$ 27,552	$ 43,101	$ 70,653

$1,674 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (9,927)	$ (6,146)	$ (16,073)
2020	(9,927)	(6,146)	(16,073)
2021	(7,574)	(6,146)	(13,720)
2022	(124)	(6,145)	(6,269)
2023	0	(4,318)	(4,318)
Thereafter	0	(4,326)	(4,326)
	$ (27,552)	$ (33,227)	$ (60,779)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential

9. POST-EMPLOYMENT BENEFITS (Continued)

modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters

9. POST-EMPLOYMENT BENEFITS (Continued)

expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School's Proportionate Share of the Net OPEB Liability	$ 223,999	$ 185,487	$ 154,975

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 150,508	$ 185,487	$ 231,781

9. POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, 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 since the prior measurement date, 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. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

9. POST-EMPLOYMENT BENEFITS (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School's Proportionate Share of the Net OPEB Liability	$ 229,631	$ 171,049	$ 124,751

9. POST-EMPLOYMENT BENEFITS (Continued)

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 118,838	$ 171,049	$ 239,766

10. PURCHASED SERVICES

For the fiscal year ended June 30, 2018, purchased service expenses were payments for services rendered by various vendors as follows:

410	Professional and Technical Services	$ 101,326
420	Property Services	117,718
430	Travel and Meetings	7,755
440	Utilities	23,436
450	Communications	16,031
460	Contractual Trade Services	101,420
470	Tuition and Other Similar Payments	949
480	Transportation	29,740
	Total	$ 398,375

11. SPONSORSHIP AGREEMENT

The School was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2013 and ending June 30, 2015. For fiscal year 2016, the Sponsor renewed its contract with the School effective through June 30, 2018. Sponsorship fees paid in the amount of $36,456 are reflected as “Purchased Services” in the Statement of Revenues, Expenses, and Change in Net Position.

12. MANAGEMENT COMPANY EXPENSES / RELATED PARTY

The School contractually engages with World Class Community Schools (WCCS) to the extent permitted by law, to provide the operation management and internal administrative oversight by providing the specific functions relating to the provision of educational services and the management and operation of the School. The agreement is good for five academic years, expiring on June 30, 2018. Also, the School joined the WCCS consortium for healthcare benefits in 2014. August 2017, the School dissolved its management agreement with World Class Community Schools. The School paid a management fee of $20,042 and Medical, Dental and Vision benefits of $74,406 to WCCS in fiscal year 2018.

The School’s Headmaster; Terrance Walton is married to the President of Operations for WCCS, Kinja Walton.

13. CAPITAL LEASE / LONG-TERM OBLIGATIONS

During 2013, the School entered into a vehicle lease for $19,984. The School capitalized the vehicle related to the lease. The lease expires in 2018. During 2015, the School entered into a vehicle lease for $66,160. The School capitalized the vehicle related to the lease. The lease expires in 2020.

The changes in the School’s long-term obligations during fiscal year 2018 were as follows:

13. CAPITAL LEASE / LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding 07/01/2017	Additions	Deletions	Principal Outstanding 6/30/2018	Due Within One Year
Net Pension Liability:					
STRS	$1,628,198	$ -	$ 586,758	$1,041,440	$ -
SERS	553,000	-	133,236	419,764	-
Total Net Pension Liability	2,181,198	-	719,994	1,461,204	-
Net OPEB Liability:					
STRS	260,139	-	89,090	171,049	-
SERS	209,355	-	23,868	185,487	-
Total OPEB Liability	469,494	-	112,958	356,536	-
2013 Capital Lease	3,536	-	3,536	-	-
2015 Capital Lease	32,279	-	14,643	17,636	16,310
Total Long-Term Liabilities	$2,686,507	$ -	$ 851,131	$1,835,376	$ 16,310

The following summarizes the minimum principal payments due under this lease subsequent to June 30, 2018:

2019	$ 17,528
2020	1,461
Total Minimum Lease Payments	18,989
Less: Interest	(1,353)
Present Value of Minimum Interest Payments	$ 17,636

14. OPERATING LEASE

The School is a lessee for a twelve-month building operating lease for the period of August 1, 2017 through July 31, 2018 with the Chandler (the lessor). Rent is payable in monthly installments of $3,500 and is due by the first day of each month. The School is also a lessee for a twelve-month building operating lease for the period of July 1, 2017 through June 30, 2018 with the Roman Catholic Diocese of Cleveland (the lessor). Rent was payable in monthly installments of $5,068 and is due by the first day of each month.

15. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2018, if applicable, cannot be determined at this time.

B. State Funding

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

15. CONTINGENCIES (Continued)

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.

In addition, the School's contracts with their Sponsor and Management Company and they requires payment based on revenues received from the State. Management believes this may result in either an additional receivable to, or liability of, the School. As a result of the review, the Ohio Department of Education underpaid the School $74,955, which is recorded as Intergovernmental Receivable.

C. Litigation

The School is a potential defendant in several lawsuits as of June 30, 2018. The School cannot presently determine the outcome of these possible suits nor the impact on the School's financial condition.

16. SCHOOL CLOSURE

On November 16, 2019, the School's Governing Board adopted a resolution to disband the School effective immediately. The remaining available funds at the time are not sufficient to pay all accumulated outstanding obligations. The Treasurer will disburse the remaining funds as appropriate.

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
School's Proportion of the Net Pension Liability	0.00702560%	0.00755560%	0.00897090%	0.00652900%	0.00652900%
School's Proportionate Share of the Net Pension Liability	$ 419,764	$ 553,000	$ 511,888	$ 330,429	$ 388,377
School's Covered Payroll	$ 235,550	$ 234,650	$ 375,751	$ 193,939	$ 185,029
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	178.21%	235.67%	136.23%	170.38%	209.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)					
School's Proportion of the Net Pension Liability	0.00438405%	0.00486421%	0.00657641%	0.00843190%	0.00843190%
School's Proportionate Share of the Net Pension Liability	$ 1,041,440	$ 1,628,198	$ 1,817,527	$ 2,050,930	$ 2,436,475
School's Covered Payroll	$ 481,971	$ 511,807	$ 746,271	$ 934,938	$ 1,057,046
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	318.13%	243.55%	219.37%	230.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - Pension
Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 25,325	$ 32,977	$ 32,851	$ 49,524
Contributions in Relation to the Contractually Required Contribution	(25,325)	(32,977)	(32,851)	(49,524)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 187,593	$ 235,550	$ 234,650	$ 375,751
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 64,651	$ 67,476	$ 71,653	$ 104,478
Contributions in Relation to the Contractually Required Contribution	(64,651)	(67,476)	(71,653)	(104,478)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 461,793	$ 481,971	$ 511,807	$ 746,271
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 26,880	$ 25,608	$ 24,384	$ 21,072	$ 27,644	$ 16,944
(26,880)	(25,608)	(24,384)	(21,072)	(27,644)	(16,944)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 193,939	$ 185,029	$ 181,294	$ 167,637	$ 204,165	$ 172,195
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$ 121,542	$ 137,416	$ 120,516	$ 114,102	$ 81,500	$ 82,860
(121,542)	(137,416)	(120,516)	(114,102)	(81,500)	(82,860)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 934,938	$ 1,057,046	$ 927,046	$ 877,708	$ 626,923	$ 637,385
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
School Employees Retirement System (SERS)		
School's Proportion of the Net OPEB Liability	0.00691150%	0.00734483%
School's Proportionate Share of the Net OPEB Liability	$ 185,487	$ 209,355
School's Covered Payroll	$ 235,550	$ 375,751
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.75%	55.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System (STRS)		
School's Proportion of the Net OPEB Liability	0.00438405%	0.00486421%
School's Proportionate Share of the Net OPEB Liability	$ 171,049	$ 260,139
School's Covered Payroll	$ 481,971	$ 511,807
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

PAUL D. WHITE SCHOOL OF EXCELLENCE
CUYAHOGA COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - OPEB
Last Ten Fiscal Years

	2018	2017	2016	2015
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 1,674	$ 2,759	$ 2,378	$ 2,901
Contributions in Relation to the Contractually Required Contribution	(1,674)	(2,759)	(2,378)	(2,901)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 187,593	$ 235,550	$ 375,751	$ 193,939
OPEB Contributions as a Percentage of Covered Payroll (1)	0.89%	1.17%	0.63%	1.50%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 461,793	$ 481,971	$ 511,807	$ 746,271
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 307	$ 293	$ 2,491	$ 2,152	$ 908	$ 5,035
(307)	(293)	(2,491)	(2,152)	(908)	(5,035)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 185,029	$ 181,294	$ 167,637	$ 204,165	$ 172,195	$ 162,953
0.17%	0.16%	1.49%	1.05%	0.53%	3.09%
$ 9,349	$ 10,570	$ 9,270	$ 8,777	$ 6,269	$ 6,374
(9,349)	(10,570)	(9,270)	(8,777)	(6,269)	(6,374)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 934,938	$ 1,057,046	$ 927,046	$ 877,708	$ 626,923	$ 637,385
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

NOTE 1 - NET PENSION LIABILITY

School Employees Retirement System (SERS) of Ohio

Changes in Assumptions: For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- 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 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
    - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms: For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent 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.

State Teachers Retirement System (STRS) of Ohio

Changes in Assumptions: For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms: Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

NOTE 2 - NET OPEB LIABILITY

School Employees Retirement System (SERS) of Ohio

Changes in Assumptions: 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

State Teachers Retirement System (STRS) of Ohio

Changes in Assumptions: 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

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Paul D. White School of Excellence
(formerly New Day Academy Boarding and Day School)
Cuyahoga County

Educational Resource Consultants of Ohio, Sponsor
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

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 the Paul D. White School of Excellence, Cuyahoga County, (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 13, 2020, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* In addition, we noted the School closed effective November 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

January 13, 2020

OHIO AUDITOR OF STATE
KEITH FABER

PAUL D. WHITE SCHOOL OF EXCELLENCE

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
JANUARY 23, 2020

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