



Dave Yost • Auditor of State

**BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Buckeye Preparatory Academy
Franklin County
1414 Gault Street
Columbus, Ohio 43205

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Preparatory Academy, Franklin County as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the School has suffered losses from operations and has a net position deficiency. Note 17 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 31, 2018

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)

The discussion and analysis of the Buckeye Preparatory Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2016-2017 school year are as follows:

- Total assets decreased by \$49,445.
- Total liabilities increased \$1,889,540.
- Total net position decreased (\$698,629)
- Total operating and non-operating revenues were \$1,778,928. Total operating expenses were \$2,434,133.
- Total deferred outflows is \$2,159,968. Total deferred inflows were \$20,468.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2017. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Statement of Net Position - The Statement of Net Position answers the question of how the School did financially during 2017. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2017 and 2016.

**Table 1
Statement of Net Position**

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 95,473	\$ 141,859
Other Assets	12,500	12,500
Capital Assets, Net of Accumulated Depreciation	<u>33,451</u>	<u>36,510</u>
Total Assets	<u>141,424</u>	<u>190,869</u>
Deferred Outflows of Resources	<u>2,159,968</u>	<u>940,858</u>
Liabilities		
Current Liabilities	549,184	425,927
Long-Term Liabilities	<u>2,769,832</u>	<u>1,003,549</u>
Total Liabilities	3,319,016	1,429,476
Deferred Inflows of Resources	<u>20,486</u>	<u>41,732</u>
Net Position		
Net Investment in Capital Assets	33,451	36,510
Unrestricted	<u>(1,071,561)</u>	<u>(375,991)</u>
Total Net Position	<u>\$ (1,038,110)</u>	<u>\$ (339,481)</u>

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)

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

Under the standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

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

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

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

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position totaled \$(1,038,110).

Current assets represent cash and cash equivalents, intergovernmental receivable, grants receivable and other receivable. Current liabilities represent accounts payable, intergovernmental payable, advances payable, and current portion of note payable to the management company.

Statement of Revenues, Expenses and Change in Net Position - Table 2 shows the change in net position for fiscal year 2017 and 2016, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Table 2
Change in Net Position**

	<u>2017</u>	<u>2016</u>
Operating Revenue		
State Aid	\$ 1,257,154	\$ 1,261,650
Intergovernmental Revenue	9,332	10,074
Total Operating Revenues	<u>1,266,486</u>	<u>1,271,724</u>
Operating Expenses		
Purchased Services	2,005,038	1,516,923
Facility Costs	257,705	240,108
Materials and Supplies	136,721	119,054
Miscellaneous	13,903	54,420
Depreciation	20,766	11,319
Total Operating Expenses	<u>2,434,133</u>	<u>1,941,824</u>
Operating (Loss)	(1,167,647)	(670,100)
Non-Operating Revenues (Expenses)		
Interest Expense/Discount Fees	(43,424)	-
Federal Grants	350,030	357,263
Other Intergovernmental Revenues	162,412	155,849
Total Non-Operating Revenues	<u>469,018</u>	<u>513,112</u>
Decrease in Net Position	<u>\$ (698,629)</u>	<u>\$ (156,988)</u>

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)

The increase in purchased services is the result of increase in pension expense attributable to GASB 68.

BUDGETING HIGHLIGHTS

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

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

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was \$33,451. This balance includes current year additions of \$17,707 offset by current year depreciation of \$20,766. For more information on capital assets, see Note 5 of the Basic Financial Statements.

WORKING CAPITAL ADVANCES AND NOTES PAYABLE

During the fiscal year, the School received working capital monies from Charter School Capital through a receivables purchase agreement. As the School receives monthly State funding, these advances are repaid, however the School may elect to receive additional advances from Charter School Capital by entering into additional agreements. At June 30, 2017 the school had outstanding advances of \$225,000.

The School also entered into a Note payable with Midwest Education Group (the parent company of the management company, Cambridge Education Group, LLC). At June 30, 2017, the School had an outstanding balance on the note of \$56,958. For more information on these outstanding obligations, see Note 6 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2017, the State raised the base per pupil funding to \$6,000, which is up from \$5,900 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based.

The full-time equivalent enrollment of the School for the year ended June 30, 2017 was 181, consistent with 2016 enrollment.

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 1414 Gault Street, Columbus Ohio 43205 or e-mail at dave@massasolutionsllc.com.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

Statement of Net Position
At June 30, 2017

Assets

Current Assets:

Cash and Cash Equivalents	\$ 50,148
Intergovernmental Receivable	7,010
Grants Receivable	3,491
Other Receivables	34,824
Total Current Assets	<u>95,473</u>

Noncurrent Assets:

Other Assets	12,500
Capital Assets:	
Depreciable Capital Assets, net	<u>33,451</u>
Total Noncurrent Assets	<u>45,951</u>

Total Assets	<u>141,424</u>
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Deferred Outflows of Resources

Pension	<u>2,159,968</u>
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Liabilities

Current Liabilities:

Accounts Payable	264,825
Intergovernmental Payable	2,401
Note Payable – Midwest	56,958
Advances Payable	<u>225,000</u>
Total Current Liabilities	<u>549,184</u>

Long Term Liabilities:

Pension Liability	<u>2,769,832</u>
Total Long-Term Liabilities	<u>2,769,832</u>

Total Liabilities	<u>3,319,016</u>
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Deferred Inflows of Resources

Pension	<u>20,486</u>
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Net Position

Net Investment in Capital Assets	33,451
Unrestricted	<u>(1,071,561)</u>
Total Net Position	<u>\$ (1,038,110)</u>

See accompanying notes to the basic financial statements

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**Statement of Revenues,
Expenses and Change in Net Position
For the Year Ending June 30, 2017**

Operating Revenues

State Aid	\$ 1,257,154
Intergovernmental Revenue	9,332
Total Operating Revenues	<u>1,266,486</u>

Operating Expenses

Purchased Services	2,005,038
Facility Costs	257,705
Materials and Supplies	136,721
Miscellaneous	13,903
Depreciation	20,766
Total Operating Expenses	<u>2,434,133</u>

Operating (Loss) (1,167,647)

Non-Operating Revenues (Expenses)

Interest Expense/Discount Fees	(43,424)
Federal Grants	350,030
Other Intergovernmental Revenues	162,412
Total Non-Operating Revenues	<u>469,018</u>

Change in Net Position (698,629)

Net Position, Beginning of Year (339,481)

Net Position, End of Year \$ (1,038,110)

See accompanying notes to the basic financial statements

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 1,265,470
Cash Received from Other Operating Sources	8,430
Cash Payments to Suppliers for Goods and Services	<u>(1,754,589)</u>
Net Cash Used for Operating Activities	(480,689)

Cash Flows from Non-Capital Financing Activities

Cash Received from Federal Grants	370,681
Cash Received from Other Intergovernmental Revenues	162,412
Cash Advances	890,600
Interest Expense/Discount Fees	(43,424)
Repayment of Cash Advances	(884,600)
Cash Payments on Note	<u>(49,913)</u>
Net Cash Provided by Non-Capital Financing Activities	445,756

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Acquisitions	<u>(17,707)</u>
Net Cash Used by Capital Financing Activities	(17,707)
Net Decrease in Cash and Cash Equivalents	(52,640)
Cash and Cash Equivalents, Beginning of Year	<u>102,788</u>
Cash and Cash Equivalents, End of Year	<u>\$ 50,148</u>

(Continued)

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
(Continued)

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

Operating Loss	\$ (1,167,647)
Depreciation	20,766
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	7,414
Increase in Pension Liability	1,823,241
(Increase) in Deferred Outflows	(1,219,110)
Decrease in Deferred Inflows	(21,246)
Decrease in Accrued Expenses	(49,983)
Increase in Intergovernmental Payable	2,401
Increase in Accounts Payable	<u>123,475</u>
Net Cash Used for by Operating Activities	<u>\$ (480,689)</u>

See accompanying notes to the basic financial statements

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The School was approved for operation under a contract with Buckeye Community Hope Foundation, ("BCHF") (the Sponsor) for a period of four years, commencing on July 1, 2015 through June 30, 2019. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The statement of Revenue, Expenses and changes in Net Position presents 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 is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

Cash and Cash Equivalents - Cash held by the School is reflected as “Cash and Cash Equivalents” on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2017.

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

Capital Assets and Depreciation - Capital assets are capitalized at cost. Donated capital assets are recorded at their fair market values as of the date received. The costs of additions are capitalized and expenses for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net position. Capital assets were \$33,451, as of June 30, 2017, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Technology Assets	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Under the above programs the School recorded \$1,257,154 this fiscal year from the State Foundation Program and \$350,030 from Federal Grants.

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

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

Accrued Liabilities - Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of \$264,825, intergovernmental expenses of \$2,401, note payable – Midwest of \$56,958 and advances payable of \$225,000, and pension liability of \$2,769,832 at June 30, 2017.

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2017.

Deferred Inflows and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources in the amount of \$2,159,968 are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

A deferred inflow of resources is an acquisition of net position by the School that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the School that is applicable to a future reporting period. Other revenues received in advance of the fiscal year for which they were intended to finance, are recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met due at June 30, 2017 are recorded as deferred inflows. Receivables that will not be collected within the available period have been reported as deferred inflows of resources. The School has deferred inflows of resources in the amount of \$20,486 which is explained in Note 9.

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2017, the book amount of the School's deposits was \$50,148 and the bank balance was \$56,649.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited Collateral pool of eligible securities deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2017, none of the bank balance was exposed to custodial credit risk.

NOTE 4 - RECEIVABLES

Intergovernmental Receivable - The School has intergovernmental receivables totaling \$7,010 at June 30, 2017. These receivables represented monies due to the School from government sources, but not received as of June 30, 2017.

Grants Receivable - The School had grant receivable balances of federal grant monies totaling \$3,491 at June 30, 2017.

Other Receivable - The School had other receivable balances totaling \$34,824 at June 30, 2017 which represents excess SERS and STRS employer contributions.

NOTE 5 - CAPITAL ASSETS

For the period ending June 30, 2017, the School's capital assets consisted of the following:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/17</u>
Capital Assets:				
Computers	\$ 29,241	\$ 17,707	\$ -	\$ 46,948
Textbooks	24,784	-	-	24,784
Total Capital Assets	54,025	17,707	-	71,732
Less Accumulated Depreciation:				
Computers	(3,058)	(12,505)	-	(15,563)
Textbooks	(14,457)	(8,261)	-	(22,718)
Total Accumulated Depreciation	(17,515)	(20,766)	-	(38,281)
Capital Assets, Net	\$ 36,510	\$ (3,059)	\$ -	\$ 33,451

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 - ADVANCES PAYABLE AND NOTE PAYABLE

The School received working capital advances from Charter School Capital through a receivables purchase agreement. As the School receives its monthly State funding, these advances are repaid, however the School may elect to receive future advances from Charter School Capital by entering into additional agreements. The School agreed to the purchase discount fee at the time of advancement. The fee is based on the current London Interbank Offered Rate ("LIBOR") or the cost of insuring against State of Ohio defaults on general obligation bonds through credit default swaps. During the year ended June 30, 2017, the discount fee ranged from 3.55% to 6.32% of requested advances. The School began the year with an outstanding balance of \$219,200. During the school year, the School requested and received \$890,600 in working capital advances. Of this amount, \$884,600 was paid back during the audit period leaving total advances outstanding at June 30, 2017 of \$225,000. Furthermore, total purchase discount fees paid during the year-end June 30, 2017 was \$39,214.

Additionally, the School entered into a note agreement with Midwest Education Group totaling \$150,486 at June 30, 2015. The note has a 36-month repayment term beginning in August 2015 at interest rate of 5%, and is secured by the assets of the School. At June 30, 2017, \$56,958 is recorded as a current liability on the Statement of Net Position.

	Balance at 06/30/16	Additions	Deductions	Balance at 06/30/17	Due within 1 year
Charter School Capital	\$ 219,000	\$ 890,600	\$(884,600)	\$ 225,000	\$ -
Midwest Education Group	106,870		(49,912)	56,958	56,958
Total Advances/Note Payable	<u>\$ 325,870</u>	<u>\$ 890,600</u>	<u>\$(934,512)</u>	<u>\$ 281,958</u>	<u>\$56,958</u>

NOTE 7 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 06/30/16	Additions	Deductions	Principal Outstanding 06/30/17
Net Pension Liability:				
STRS	\$ 831,351	\$1,826,001	\$ -	\$ 2,657,352
SERS	115,240	-	(2,760)	112,480
Total Net Pension Liability	946,591	1,826,001	(2,760)	2,769,832
Total Long-Term Obligations	<u>\$ 946,591</u>	<u>\$1,826,001</u>	<u>\$ (2,760)</u>	<u>\$ 2,769,832</u>

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - RISK MANAGEMENT

Property & Liability - The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2017, the School contracted with The Cincinnati Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of \$5,000,000.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS

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

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 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.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

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

School Employees Retirement System (SERS)

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School’s contractually required contribution to SERS was \$12,833 for fiscal year 2017.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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 are to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

State Teachers Retirement System (STRS)(continued)

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

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

The School's contractually required contribution to STRS was \$107,213 for the fiscal year 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an 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:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 2,657,352	\$ 112,480	\$ 2,769,832
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00793879%	0.00153680%	
Prior Measurement Date	<u>0.00300810%</u>	<u>0.00201960%</u>	
Change in Proportionate Share	<u>0.00493069%</u>	<u>-0.00048280%</u>	
Pension Expense	\$ 658,444	\$ 44,487	\$ 702,931

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 107,370	\$ 1,517	\$ 108,887
Net Difference between Projected and Actual Earnings on Pension Plan Investments	220,633	9,278	229,911
Changes of Assumptions	0	7,509	7,509
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	1,632,794	60,821	1,693,615
School Contributions Subsequent to the Measurement Date	107,213	12,833	120,046
Total Deferred Outflows of Resources	<u>\$ 2,068,010</u>	<u>\$ 91,958</u>	<u>\$ 2,159,968</u>
Deferred Inflows of Resources			
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	\$ 0	\$ 20,486	\$ 20,486

\$120,046 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 503,130	\$ 25,603	\$ 528,733
2019	503,132	25,598	528,730
2020	587,791	4,771	592,562
2021	366,744	2,667	369,411
	<u>\$ 1,960,797</u>	<u>\$ 58,639</u>	<u>\$ 2,019,436</u>

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

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

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

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

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

Actuarial Assumptions – SERS (continued)

The actuarial assumptions used in the June 30, 2016 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, 2016 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 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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major asset 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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investment was applied to all periods of projected benefits to determine the total net pension liability.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's Proportionate Share of the Net Pension Liability	\$ 148,916	\$ 112,480	\$ 81,981

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

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

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

Actuarial assumptions used in the June 30, 2016, valuation is based on the results of an actuarial experience study, effective July 1, 2012.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

Actuarial Assumptions – STRS (continued)

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:

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

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

Actuarial Assumptions – SERS (continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's Proportionate Share of the Net Pension Liability	\$ 3,531,405	\$ 2,657,352	\$ 1,920,037

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

NOTE 10 - POST EMPLOYMENT BENEFITS

School Employee Retirement System (SERS)

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

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - POST EMPLOYMENT BENEFITS (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$40, \$0, and \$499, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

School Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School did not contribute to health care in the last three fiscal years.

NOTE 11 - CONTINGENCIES

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

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 - CONTINGENCIES (continued)

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2017 are finalized. As a result, the impact of enrollment adjustments to the June 30, 2017 Foundation funding is the School owes ODE \$2,338. This is included in intergovernmental payable on the financial statements.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are finalized. Management does not believe the results of these FTE adjustments will result in material receivables owed to the School.

NOTE 12 - SPONSOR AND MANAGEMENT CONTRACTS

Sponsor - The School contracted with Buckeye Community Hope Foundation as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2017, the total sponsorship fees paid totaled \$41,490.

Management Company - The School entered into an agreement with Cambridge Education Group LLC, a local nonprofit management company, to provide management and day-to-day operational functions for fiscal year 2017. The agreement was for a period of five years beginning May 15, 2014. Management fees are calculated as 18% of the total qualified gross revenues. The total amount paid by the School for the fiscal year ending June 30, 2017 was \$290,107 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position.

As part of the agreement the School also reimburses Cambridge for the salaries and benefits of the employees. The amount paid by the School to Cambridge for salaries and benefits was \$710,855 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position. See detail of Purchased Services in Note 13.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12 - SPONSOR AND MANAGEMENT CONTRACTS (continued)

Management Company – (continued)

The School also entered into revolving line of credit agreement with Midwest Education Group (parent company of Cambridge Education Group), which was converted to a term note. The balance of the note was \$56,958 at June 30, 2017. See detail in Note 6.

NOTE 13 – MANAGEMENT COMPANY EXPENSES

As of June 30, 2017, Cambridge Education Group LLC and its affiliates incurred the following expenses on behalf of the School:

	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Other Instruction (1400 and 1900 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
Direct expenses:						
Salaries & wages (100 object codes)	\$ 377,217	\$ 44,858	\$ 48,893	\$ 138,452	\$ -	\$ 609,420
Employees' benefits (200 object codes)	36,876	11,787	8,232	16,515	-	73,410
Professional & technical services (410 object codes)	398	-	-	-	784	1,182
Property services (420 object codes)	-	-	-	-	300	300
Supplies (500 object codes)	659	-	-	-	735	1,394
Other direct costs (All other object codes)	817	-	-	-	10,500	11,317
Overhead	-	-	-	64,026	29,372	93,398
Total expenses	\$ 415,967	\$ 56,645	\$ 57,125	\$ 218,993	\$ 41,691	\$ 790,421

Cambridge charges overhead expenses benefiting more than one school on a pro-rated basis based on full time equivalents (FTE) headcount as of June 30, 2017 for each school it manages.

NOTE 14 - PURCHASED SERVICES

For the period of July 1, 2016 through June 30, 2017, the School made the following purchased services commitments.

Salaries and Wages and Benefits	\$ 1,350,939
Professional and Technical Services	517,732
Food Service	129,296
Other Direct Costs	7,071
Total Purchased Services	<u>\$ 2,005,038</u>

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 15 - LEASE OBLIGATIONS

The school entered into a sublease agreement with Kent School LLC (a subsidiary of the Sponsor, Buckeye Community Hope Foundation), for the current school premises. The lease term is from July 1, 2014 through June 30, 2019. The base rent is \$150,000 per year. There is a provision in the lease that provides furniture, fixtures, and equipment to the School for an additional \$12,000 per year payable monthly.

Future lease obligations are as follows:

FY 2018	150,000
FY 2019	<u>150,000</u>
Total	<u>\$ 300,000</u>

NOTE 16 - FISCAL DISTRESS

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2017 was \$50,148. Additionally, the School has significant liabilities at June 30, 2017 which has resulted in a deficit net position of (\$1,038,110). Overcoming this deficit may be difficult without significant increases in student enrollments and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

NOTE 17 - MANAGEMENT PLAN

The amount owed to Midwest Education Group, at June 30, 2017 is for unpaid operating expenses and an outstanding note payable for the start-up of the School. Midwest remains committed to the success of the School both academically and financially. During the current year, stronger efforts in student recruitment and the use of Federal funds are improving the financial performance of the School.

NOTE 18 – SUBSEQUENT EVENT

On February 22, 2018, the School signed a Consent to Assignment agreement which effectively assigns its management agreement with Cambridge Education Group, LLC to Accel Schools of Ohio, LLC for the remainder of the term of the agreement.

On May 7, 2018, Cambridge Education Group, LLC informed Buckeye Preparatory Academy that past expenses due totaling \$492,210 were forgiven.

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2016</u>	<u>2015</u>
School's Proportion of the Net Pension Liability	0.00153680%	0.00201960%
School's Proportionate Share of the Net Pension Liability	\$ 112,480	\$ 115,240
School's Covered Payroll	\$ 47,729	\$ 64,583
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.67%	178.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%

(1) Information prior to 2015 is not available.

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

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>
School's Proportion of the Net Pension Liability	0.00793879%	0.00300810%
School's Proportionate Share of the Net Pension Liability	\$ 2,657,352	\$ 831,351
School's Covered Payroll	\$ 816,864	\$ 269,007
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	325.31%	309.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%

(1) Information prior to 2015 is not available

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

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 12,833	\$ 6,682	\$ 8,512
Contributions in Relation to the Contractually Required Contribution	<u>\$ (12,833)</u>	<u>\$ (6,682)</u>	<u>\$ (8,512)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 91,664	\$ 47,729	\$ 64,583
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%

(1) Information prior to 2015 is not available

BUCKEYE PREPARATORY ACADEMY - FRANKLIN COUNTY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 107,213	\$ 114,361	\$ 37,661
Contributions in Relation to the Contractually Required Contribution	<u>\$ (107,213)</u>	<u>\$ (114,361)</u>	<u>\$ (37,661)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 765,807	\$ 816,864	\$ 269,007
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%

(1) Information prior to 2015 is not available

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Dave Yost • Auditor of State

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

Buckeye Preparatory Academy
Franklin County
1414 Gault Street
Columbus, Ohio 43205

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Buckeye Preparatory Academy, Franklin County, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 31, 2018, wherein we noted the School has suffered losses from operations and has a net position deficiency.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 31, 2018



Dave Yost • Auditor of State

BUCKEYE PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2018**