EASTLAND PREPARATORY ACADEMY (FORMERLY BERWYN EAST ACADEMY)
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Eastland Preparatory Academy
Franklin County
2741 S. Hamilton Road
Columbus, Ohio 43232

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Eastland Preparatory Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastland Preparatory Academy, Franklin 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.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2018, the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Additionally, as discussed in Note 17 to the financial statements, the Academy has suffered recurring losses from operations and has a net deficiency. Note 17 also describes management's evaluation of the events and conditions and their plans to mitigate these matters.

Our opinion is unmodified regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

August 30, 2019

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

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

The management's discussion and analysis of the Eastland Preparatory Academy (the "Academy"), formerly known as the Berwyn East Academy, provides an overall review of the Academy's financial activities for fiscal year 2018. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- On March 20, 2018, the Governing Board of the Academy approved a resolution to change the name of the Berwyn East Academy to the Eastland Preparatory Academy. The name change was effective with the State of Ohio Secretary of State on March 21, 2018.

- In total, net position was a deficit of $950,377 at June 30, 2018, which represented an 1.44% increase from 2017's restated net position.

- The Academy had operating revenues of $1,295,590, operating expenses of $1,503,491, non-operating revenues of $221,901, and non-operating expenses of $127 for fiscal year 2018. Total change in net position for the Academy was an increase of $13,873.

Using the Basic Financial Statements

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provides information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13 through 40 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's net pension liability and net OPEB liability. The required supplementary information can be found on pages 42 through 51 of this report.

The table below provides a summary of the Academy's net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.

Net Position

	2018	Restated 2017
Assets		
Current assets	$ 165,111	$ 204,062
Non-current assets	861	28,900
Total assets	165,972	232,962
Deferred Outflows of Resources		
Pension	1,017,680	1,330,312
OPEB	15,537	3,242
Total deferred outflows of resources	1,033,217	1,333,554
Liabilities		
Current liabilities	232,074	199,209
Non-current liabilities:		
Net pension liability	1,422,286	1,863,519
Net OPEB liability	400,722	468,038
Total liabilities	2,055,082	2,530,766
Deferred Inflows of Resources		
Pensions	44,249	-
OPEB	50,235	-
Total deferred inflows of resources	94,484	-
Net Position		
Net investment in capital assets	346	26,424
Unrestricted (deficit)	(950,723)	(990,674)
Total net position (deficit)	$ (950,377)	$ (964,250)

The net pension liability (NPL) is the largest single liability reported by the Academy 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 Academy 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 Academy'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 Academy'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 Academy 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 Academy'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 Academy 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 a deficit of $499,454 to a deficit of $964,250.

Net Position Analysis

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2018, the Academy's net position was a deficit of $950,377 compared to $964,250 at June 30, 2017.

Current assets include the Academy's demand deposit account and intergovernmental receivables. Non-current assets include capital assets. At year-end, capital assets represented 0.52% of total assets. Capital assets includes equipment. The net investment in capital assets at June 30, 2018, was $346. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Deferred outflows of resources are reported in accordance with GASB Statement No. 68 and GASB Statement No. 75, see Note 12 and Note 13 to the basic financial statements for detail.

Current liabilities primarily include accounts payable due to vendors for goods and services, and related pension and postemployment benefits reported as intergovernmental payables, and the current portion of the Academy's capital lease obligation.

Long-term obligations include a capital lease obligation for copier equipment, the Academy's net pension liability and the Academy's net OPEB liability. Long-term liabilities decreased primarily due to a decrease in the net pension liability. This factor is outside of the control of the Academy. The Academy contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to Academy employees, not the Academy.

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

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

The table below shows the changes in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.

Change in Net Position

	2018	Restated 2017
Operating Revenues:		
State foundation	$ 1,286,039	$ 1,141,188
Rental income	250	2,500
Other	9,301	2,906
Total operating revenue	1,295,590	1,146,594
Operating Expenses:		
Salaries and wages	158,869	668,198
Fringe benefits	14,491	713,780
Purchased services	1,232,622	571,302
Materials and supplies	91,930	33,935
Depreciation	1,722	3,477
Other	3,857	3,590
Total operating expenses	1,503,491	1,994,282
Non-operating Revenues (Expenses):		
Federal and State subsidies	221,401	322,790
Contributions and donations	500	500
Interest expense	(127)	(278)
Total non-operating revenues (expenses)	221,774	323,012
Change in net position	13,873	(524,676)
Net position (deficit) at beginning of year (restated)	(964,250)	N/A
Net position (deficit) at end of year	$ (950,377)	$ (964,250)

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 functional expenses still include OPEB expense of $3,242 computed under GASB 45. GASB 45 required recognizing OPEB 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 $26,329. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$ 1,503,491
Negative OPEB expense under GASB 75	26,329
2018 contractually required contributions	3,047
Adjusted 2018 program expenses	1,532,867
Total 2017 program expenses under GASB 45	1,994,282
Decrease in program expenses not related to OPEB	$ (461,415)

Operating expenses decreased $490,791 or 24.61%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the Academy reported $1,967 in pension expense and ($26,329) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense for 2018 and 2017 was $1,967 and $598,880, respectively. Pension expense reported in 2018 represents a decrease of $596,913 from pension expense reported in 2017. Pension expense is reported as a component of fringe benefits expense.

Capital Assets and Long-Term Debt Obligations

The Academy had $861 and $28,900 in capital assets, net of depreciation, June 30, 2018 and 2017, respectively. See Note 6 to the basic financial statements for detail.

The Academy had $515 and $2,476 in long-term debt obligations (capital lease obligation) outstanding at June 30, 2018 and 2017, respectively. See Note 7 to the basic financial statements for detail.

Current Financial Related Activities

The Academy is reliant upon State Foundation monies to offer quality educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Todd Johnson, Treasurer of Eastland Preparatory Academy, 2741 South Hamilton Road, Columbus, Ohio 43232.

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Cash	$ 92,945
Receivables:	
Intergovernmental	72,166
Total current assets	165,111
Non-current assets:	
Depreciable capital assets, net	861
Total non-current assets	861
Total assets	165,972
Deferred outflows of resources:	
Pension (Note 12)	1,017,680
OPEB (Note 13)	15,537
Total deferred outflows of resources	1,033,217
Liabilities:	
Current liabilities:	
Accounts payable	205,968
Intergovernmental payable	25,591
Capital lease obligation	515
Total current liabilities	232,074
Non-current liabilities:	
Net pension liability (Note 12)	1,422,286
Net OPEB liability (Note 13)	400,722
Total non-current liabilities	1,823,008
Total liabilities	2,055,082
Deferred inflows of resources:	
Pension (Note 12)	44,249
OPEB (Note 13)	50,235
Total deferred inflows of resources	94,484
Net position:	
Net investment in capital assets	346
Unrestricted (deficit)	(950,723)
Total net position (deficit)	$ (950,377)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
State foundation	$ 1,286,039
Rental income	250
Other	9,301
Total operating revenues	1,295,590
Operating expenses:	
Salaries and wages.	158,869
Fringe benefits.	14,491
Purchased services.	1,232,622
Materials and supplies	91,930
Other.	3,857
Depreciation	1,722
Total operating expenses.	1,503,491
Operating loss	(207,901)
Nonoperating revenues (expenses):	
Federal and state subsidies.	221,401
Contributions and donations.	500
Interest expense	(127)
Total nonoperating revenues (expenses)	221,774
Change in net position	13,873
Net position (deficit) at beginning of year (restated).	(964,250)
Net position (deficit) at end of year	$ (950,377)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from state foundation	$ 1,303,985
Cash received from rental income	250
Cash received from other operations	9,301
Cash payments for salaries and wages	(133,942)
Cash payments for fringe benefits	(110,161)
Cash payments for contractual services	(1,250,999)
Cash payments for materials and supplies	(88,731)
Cash payments for other expenses	(3,949)
Net cash (used in) operating activities	(274,246)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	174,834
Cash received from contributions and donations	500
Net cash provided by noncapital financing activities	175,334
Cash flows from capital and related financing activities:	
Principal retirement on capital lease	(1,961)
Interest expense on capital lease	(127)
Disposal of capital assets	26,317
Net cash provided by capital and related financing activities	24,229
Net decrease in cash	(74,683)
Cash at beginning of year	167,628
Cash at end of year	$ 92,945
Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	$ (207,901)
Adjustments:	
Depreciation	1,722
Changes in assets and liabilities:	
Decrease in accounts receivable	5,625
Decrease in intergovernmental receivable	4,327
Decrease in prepayments	883
Decrease in deferred outflows - pension	312,632
(Increase) in deferred outflows - OPEB	(12,295)
Increase in accounts payable	150,962
(Decrease) in accrued wages and benefits	(118,122)
Increase in intergovernmental payable	1,986
(Decrease) in net pension liability	(441,233)
(Decrease) in net OPEB liability	(67,316)
Increase in deferred inflows - pension	44,249
Increase in deferred inflows - OPEB	50,235
Net cash (used in) operating activities	$ (274,246)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE ACADEMY

The Eastland Preparatory Academy (the "Academy"), formerly known as the Berwyn East Academy, is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to provide students in primary grades with the best programming and teaching techniques available using Direct Instruction. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution on April 10, 2013 with North Central Ohio Educational Service Center (the "Sponsor") for a period of five years commencing on July 1, 2013 and ending June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to terminate the contract or deny renewal of the contract at its expiration.

The Academy operates under the direction of a Governing Board which is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 9 classified and 6 certified, teaching personnel who provide services to 157 students.

On March 20, 2018, the Governing Board of the Academy approved a resolution to change the name of the Berwyn East Academy to the Eastland Preparatory Academy. The name change was effective with the State of Ohio Secretary of State on March 21, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources and all liabilities are included on the statement of net position. The statements of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 Academy, see Note 12 and Note 13 for deferred outflows of resources related to the Academy's net pension liability and net OPEB liability, respectively.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Note 12 and Note 13 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability, respectively.

E. 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 Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

F. Cash

Cash received by the Academy is reflected as "cash" on the statement of net position. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. The Academy did not have any investments during fiscal year 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Capital Assets

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Academy has established a capitalization threshold of $1,500. The Academy does not have any infrastructure. 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is being depreciated on a straight-line basis over periods ranging from five to eight years.

H. Payables

The Academy has recognized certain liabilities on the statement of net position relating to expenses, which are due but unpaid as of June 30, 2018, including:

Accounts payable - consists primarily of payments to vendors for services or products performed or received prior to June 30, 2018 but were not paid until the subsequent fiscal year.

Intergovernmental payable - consists primarily of payments for the employer's share of the pension and postemployment retirement contributions ($21,986), Medicare ($1,779), and to City of Columbus ($1,826), associated with services rendered during fiscal year 2018, but were not paid until the subsequent fiscal year.

I. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities. Net investment in capital assets represents capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Intergovernmental Revenue

The Academy currently participates in the State Foundation Opportunity Grant, Special Education, Economic Disadvantaged, K-3 Literacy, Targeted Assistance, Facilities Funding, and 3rd Grade Reading Bonus Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2018 school year totaled $1,286,039.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Grant revenue from Federal and State subsidies received during fiscal year 2018 totaled $221,401.

L. Accrued Liabilities

All payables, accrued liabilities and long-term obligations are reported on the statement of net position.

M. Economic Dependency

The Academy receives approximately 99.26% of its operating revenue from the Ohio Department of Education (ODE). Due to the significance of this revenue, the Academy is considered to be economically dependent on the ODE.

N. 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 pension/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.

O. Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2018, the Academy has implemented 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*".

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION - (Continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the Academy's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements and added required supplementary information which is presented on pages 44 - 53.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Academy.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Academy.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Academy.

A net position restatement is required in order to implement GASB Statement No 75. The net position at July 1, 2017 have been restated as follows:

	Net Position
Net position as previously reported	$ (499,454)
Deferred outflows - payments subsequent to measurement date	3,242
Net OPEB liability	(468,038)
Restated net position at July 1, 2017	$ (964,250)

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

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

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

NOTE 4 - DEPOSITS

At June 30, 2018, the carrying amount of the Academy's deposits was $92,945 and the bank balance was $127,801. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental receivables arising from grants and entitlements and amounts due from other governments. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivable:	Amount
IDEA-B	$ 13,638
Title I	34,440
Title IV-A	393
SERS overpayment	11,557
BWC refund	4,631
ODE Foundation adjustment	7,507
Total intergovernmental receivables	$ 72,166

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 06/30/17	Additions	Reductions	Balance 06/30/18
Capital assets, being depreciated:				
Equipment	$ 36,682	$ -	$ (28,072)	$ 8,610
Total capital assets being depreciated	36,682	-	(28,072)	8,610
Less: accumulated depreciation				
Equipment	(7,782)	(1,722)	1,755	(7,749)
Total accumulated depreciation	(7,782)	(1,722)	1,755	(7,749)
Capital assets, net	$ 28,900	$ (1,722)	$ (26,317)	$ 861

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of the Academy's long-term obligations activity in fiscal year 2018. The long-term obligations at June 30, 2017 have been restated as described Note 3.

	Restated Balance June 30, 2017	Reductions	Balance June 30, 2018	Due Within One Year
Net pension liability	$ 1,863,519	$ (441,233)	$ 1,422,286	$ -
Net OPEB liability	468,038	(67,316)	400,722	-
Total liability	2,331,557	(508,549)	1,823,008	-
Capital lease	2,476	(1,961)	515	515
Total long-term obligations	$ 2,334,033	$ (510,510)	$ 1,823,523	$ 515

Net Pension Liability
See Note 12 for detail on the Academy's net pension liability.

Net OPEB Liability
See Note 13 for detail on the Academy's net pension liability.

Capital Lease
During fiscal year 2014, the Academy entered into a copier lease agreement which meets the criteria for reporting as a capital lease. Capital assets consisting of leased equipment has been capitalized in the amount of $8,610, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal and interest payments in fiscal year 2018 were $1,961 and $127, respectively. At June 30, 2018, the book value and accumulated depreciation of the leased equipment were $861 and $7,749, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Amount
2019	$ 522
Total minimum lease payments	522
Less: amount representing interest	(7)
Present value of minimum lease payments	$ 515

NOTE 8 - OPERATING LEASE - LESSEE DISCLOSURE

The Academy and Sponsor (collectively the "lessee") entered into an agreement to lease building space from Obermiller LLC. The initial term of the lease commenced on March 1, 2013 and ends on June 30, 2018. Upon expiration of the initial term, the lessee has the right to renew the lease for one additional period of three years. Commencing on July 1, 2013, monthly payments were established at $5,625 per month, not to exceed $6,000 per month, for the first fiscal year of the initial lease term. The monthly rent amount is subject to adjustment each calendar quarter based upon student enrollment, as provided by the terms included in the lease agreement. For the fiscal year ended June 30, 2018, the Academy paid a total of $55,044 in rent.

NOTE 9 - PURCHASED SERVICES

For the fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services	$ 849,126
Property services	164,544
Travel/mileage/meeting	18,655
Communications	53,132
Utilities	51,456
Contracted craft or trade	95,185
Pupil transportation services	524
Total	$ 1,232,622

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2018, the Academy contracted with The Cincinnati Insurance Company for directors, officers, trustees and organization liability coverage with a limit of $1,000,000 and a $5,000 deductible. Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

NOTE 11 - SPONSOR CONTRACT

The Academy entered into a sponsorship contract commencing on July 1, 2013 and ending on June 30, 2018, with the North Central Ohio Educational Service Center (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Attend training sessions as required by the Ohio Department of Education (ODE);

- Prior to the Academy's opening for instruction, verify by a site visit whether the Academy complies with all legal and contractual requirements;

- Monitor the Academy's compliance with all applicable laws and with the terms of the contract;

- Conduct comprehensive site visits to the Academy as necessary;

NOTE 11 - SPONSOR CONTRACT - (Continued)

- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;

- Submit a written report of the evaluations conducted to the parents and students enrolled in the Academy and to ODE by November 30th of each year;

- Provide technical assistance to the Academy in complying with all laws and terms of the contract;

- Comply with the financial reporting requirements as established by ODE, and report the Academy's financial records in accordance with applicable accounting standards and as prescribed by law;

- Notify ODE within twenty-four hours of the Academy's failure to comply with applicable laws or contract requirements, as well as any financial difficulties. If such financial difficulties occur and may result in the Sponsor's determination to declare the Academy to be on probationary status, to suspend the operations of the Academy, or terminate the contract. In such circumstances, the Sponsor shall provide written notice to ODE within 30 days of the Academy's noncompliance or financial difficulties, specifying the exact nature of the problem and the plan for and status of any resolution;

- Take steps to intervene in the Academy's operation to correct problems with overall performance, declare the Academy to be on a probationary status pursuant to Ohio Revised Code Section 3314.073, suspend the operation of the Academy pursuant to Ohio Revised Code Section 3314.072 or terminate the contract pursuant to Ohio Revised Code Section 3314.07;

- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or closes prior to the end of a school year.

The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring. The Academy paid $38,199 in sponsor fees during fiscal year 2018.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

The Academy has contracted with Accel Schools (See Note 15) to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of their obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Academy 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 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $19,527 for fiscal year 2018. Of this amount, $2,789 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The Academy 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 Academy's contractually required contribution to STRS was $66,792 for fiscal year 2018. Of this amount, $14,287 is reported as intergovernmental payable.

Net Pension Liability

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 actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.01044530%	0.00328330%	
Proportion of the net pension liability current measurement date	0.01032950%	0.00338924%	
Change in proportionate share	-0.00011580%	0.00010594%	
Proportionate share of the net pension liability	$ 617,165	$ 805,121	$ 1,422,286
Pension expense	$ 118,240	$ (116,273)	$ 1,967

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 26,557	$ 31,091	$ 57,648
Changes of assumptions	31,913	176,089	208,002
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	206,166	459,545	665,711
Academy contributions subsequent to the measurement date	19,527	66,792	86,319
Total deferred outflows of resources	$ 284,163	$ 733,517	$ 1,017,680

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 6,489	$ 6,489
Net difference between projected and actual earnings on pension plan investments	2,930	26,571	29,501
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	8,259	-	8,259
Total deferred inflows of resources	$ 11,189	$ 33,060	$ 44,249

$86,319 reported as deferred outflows of resources related to pension resulting from Academy 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:

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 165,201	$ 230,834	$ 396,035
2020	95,627	266,975	362,602
2021	7,007	115,872	122,879
2022	(14,386)	19,984	5,598
2023	(2)	-	(2)
Total	$ 253,447	$ 633,665	$ 887,112

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, 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	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2017, the mortality rates were based on 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 was 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 most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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 Equity	22.50	4.75
International Equity	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 total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy'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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$ 856,464	$ 617,165	$ 416,703

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, 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.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's 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	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 geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 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, 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 payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy'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 rate:

	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	$ 1,154,114	$ 805,121	$ 511,147

NOTE 13 - DEFINED BENEFIT OPEB PLANS

The Academy has contracted with Accel Schools (See Note 15) to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of their obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to the systems noted below.

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 Academy'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.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which OPEB are financed; however, the Academy 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 basis of accounting.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org 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 Academy's surcharge obligation was $2,324.

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 Academy's contractually required contribution to SERS was $3,047 for fiscal year 2018. Of this amount, $2,427 is reported as intergovernmental payable.

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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

Net OPEB Liability

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 Academy's proportion of the net OPEB liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.01025991%	0.00328330%	
Proportion of the net OPEB liability current measurement date	0.01000420%	0.00338924%	
Change in proportionate share	-0.00025571%	0.00010594%	
Proportionate share of the net OPEB liability	$ 268,486	$ 132,236	$ 400,722
OPEB expense	$ 13,213	$ (39,542)	$ (26,329)

At June 30, 2018, the Academy 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	$ -	$ 7,634	$ 7,634
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	-	4,856	4,856
Academy contributions subsequent to the measurement date	3,047	-	3,047
Total deferred outflows of resources	$ 3,047	$ 12,490	$ 15,537

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 709	$ 5,652	$ 6,361
Changes of assumptions	25,478	10,652	36,130
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	7,744	-	7,744
Total deferred inflows of resources	$ 33,931	$ 16,304	$ 50,235

$3,047 reported as deferred outflows of resources related to OPEB resulting from Academy 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	$ (12,214)	$ (1,107)	$ (13,321)
2020	(12,214)	(1,107)	(13,321)
2021	(9,325)	(1,107)	(10,432)
2022	(177)	(1,107)	(1,284)
2023	(1)	306	305
Thereafter	-	308	308
Total	$ (33,931)	$ (3,814)	$ (37,745)

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 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.

NOTE 13 - DEFINED BENEFIT OPEB 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 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 expected returns in future years.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 Academy'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%)
Academy's proportionate share of the net OPEB liability	$ 324,232	$ 268,486	$ 224,322

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
Academy's proportionate share of the net OPEB liability	$ 217,857	$ 268,486	$ 335,496

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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

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 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the Academy'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%)	Discount Rate (4.13%)	1% Increase (5.13%)
Academy's proportionate share of the net OPEB liability	$ 177,524	$ 132,236	$ 96,443

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	$ 91,872	$ 132,236	$ 185,359

NOTE 14 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. 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.

NOTE 14 - CONTINGENCIES - (Continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for fiscal year 2018.

As a result of the fiscal year 2018 reviews, the Academy is due $7,420 from ODE. $7,507 was included in the financial statements as an Intergovernmental Receivable.

In addition, the Academy's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, the Academy is due $7,420 from ODE as a result of the fiscal year 2018 FTE reviews. The Academy owes $223 to their Sponsor and $965 to their Management Company as a result. These amounts have not been included in the financial statements.

NOTE 15 – MANAGEMENT COMPANY AND MANAGEMENT COMPANY EXPENSES

The Academy entered into an agreement with Accel Schools Ohio LLC, a management company, to provide legal, financial, and other management support services for fiscal year 2018. The agreement was for a period of three years beginning July 1, 2017. Management fees are calculated as 13% of the Academy's State Revenue, plus $20,000 for managing Federal funds. The total amount due from the Academy for the fiscal year ending June 30, 2018 was $208,551 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred by Accel Schools. These expenses include rent, salaries of Accel employees working at the Academy and other costs related to providing education and administrative services. The total amount billed to the Academy inclusive of management fees during fiscal year 2018 was $677,935.

The following is a summary of management company expenses during the fiscal year:

	Regular	Support Services	Total
Direct expenses:			
Salaries & wages	$ 526,182	$ -	$ 526,182
Employees' benefits	175,085	-	175,085
Professional & technical services	-	396,152	396,152
Property services	-	168,673	168,673
Utilities	-	54,344	54,344
Contracted craft or trade services	-	95,583	95,583
Supplies	47,082	19,532	66,614
Other direct costs	-	85,120	85,120
Indirect expenses:			-
Overhead	-	150,930	150,930
Total expenses	$ 748,349	$ 970,334	$ 1,718,683

Accel Schools Ohio, LLC charges expenses benefiting more than one school (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2018 by each school it manages.

NOTE 16 – SUBSEQUENT EVENTS

The Academy moved into a new building effective the beginning for the 2018-2019 school year.

On May 14, 2018, the Academy renewed the Sponsorship Agreement with the North Central Ohio Educational Service Center for a term of five years, commencing on July 1, 2018 and ending on June 30, 2023.

NOTE 17 - MANAGEMENT PLAN

For the fiscal year 2018, the school had an operating loss of $207,901 and a negative net position of $950,377.

Management continues to take steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the school to return to financial stability.

REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	2018	2017	2016
Academy's proportion of the net pension liability	0.01032950%	0.01044530%	0.00580960%
Academy's proportionate share of the net pension liability	$ 617,165	$ 764,500	$ 331,501
Academy's covered payroll	$ 315,471	$ 344,971	$ 174,901
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	195.63%	221.61%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	2018	2017	2016
Academy's proportion of the net pension liability	0.00338924%	0.00328330%	0.00225767%
Academy's proportionate share of the net pension liability	$ 805,121	$ 1,099,019	$ 623,954
Academy's covered payroll	$ 364,771	$ 357,436	$ 273,886
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	220.72%	307.47%	227.82%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY'S PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 19,527	$ 44,166	$ 48,296	$ 23,052
Contributions in relation to the contractually required contribution	(19,527)	(44,166)	(48,296)	(23,052)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 144,644	$ 315,471	$ 344,971	$ 174,901
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

Note: The Academy began contributing to SERS during fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY'S PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 66,792	$ 51,068	$ 50,041	$ 38,344
Contributions in relation to the contractually required contribution	(66,792)	(51,068)	(50,041)	(38,344)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 477,086	$ 364,771	$ 357,436	$ 273,886
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

Note: The Academy began contributing to STRS during fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
Academy's proportion of the net OPEB liability	0.01000420%	0.01025991%
Academy's proportionate share of the net OPEB liability	$ 268,486	$ 292,446
Academy's covered payroll	$ 315,471	$ 344,971
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	85.11%	84.77%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
Academy's proportion of the net OPEB liability	0.00338924%	0.00328330%
Academy's proportionate share of the net OPEB liability	$ 132,236	$ 175,592
Academy's covered payroll	$ 364,771	$ 357,436
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.25%	49.13%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 3,047	$ 3,242	$ 3,796	$ 3,003
Contributions in relation to the contractually required contribution	(3,047)	(3,242)	(3,796)	(3,003)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 144,644	$ 315,471	$ 344,971	$ 174,901
Contributions as a percentage of covered payroll	2.11%	1.03%	1.10%	1.72%

Note: The Academy began contributing to SERS during fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 477,086	$ 364,771	$ 357,436	$ 273,886
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Note: The Academy began contributing to STRS during fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Eastland Preparatory Academy
Franklin County
2741 S. Hamilton Road
Columbus, Ohio 43232

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 Eastland Preparatory Academy, Franklin County, (the Academy) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 30, 2019, wherein we noted the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We also noted the Academy is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards,* which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

August 30, 2019

EASTLAND PREPARATORY ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

Material Weakness / Material Noncompliance
Financial Reporting

Ohio Rev. Code § 3314.024(A) provides that a management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable. Furthermore, the Information provided pursuant to this section shall be subject to verification through examination of community school records during the course of the regular financial audit of the community school.

Additionally, in our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Academy did not have internal controls in place to help ensure expenses were properly classified on the financial statements.

The following adjustments were material to the Academy's June 30, 2018 financial statements and were made to the Academy's financial statements:

- A reclassification of $392,240 of salaries and wages and $64,924 of fringe benefits to purchased services for wages and benefits paid to employees of the management company.
- A reclassification of $171,162 of accrued wages to accounts payable for wages and benefits paid to employees of the management company.

In addition, adjustments were made to management's discussion and analysis and to the notes to the financial statements to: update information based on the reclassifications noted above; add a management company disclosure; and add information in the Pension and OPEB disclosures regarding the Academy's special funding situation.

By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

We recommend the Academy implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Academy's report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response

We did not receive a response from Officials to this finding.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002

Finding for Recovery – Repaid Under Audit / Material Noncompliance

Eastland Preparatory Academy (the Academy) entered into a building lease with Obermiller LLC dated March 1, 2013, for the period of March 1, 2013 through June 30, 2018. The lease was later amended on September 24, 2014. The amendment provided that commencing July 1, 2014, the Academy shall pay to Obermiller LLC for rent for the leased premises the following amounts, in advance, without demands, or set-off:

1. Monthly rent shall be an amount equal to **A-B/C** and shall be paid to Obermiller LLC on the tenth business day of the month following the calculation of the rent. For purposes of the foregoing, **A** shall equal the product of the number of full-time equivalent (FTE) students for the previous month, as shown on the Monthly Foundation Payment Report (MFPR), times $300. **B** is the aggregate amount of rent already paid to Obermiller LLC during the current fiscal year. **C** is the number of months remaining in the current fiscal year.
2. A final accounting for the immediately preceding fiscal year shall be done on or before July 31 of each year by comparing **A** (calculated by using the final FTE shown on the last MFPR for the immediately preceding fiscal year) to **B** (the aggregated amount of rent paid to Obermiller LLC for the immediately preceding fiscal year). If **A** is greater than **B**, the Academy shall pay Obermiller LLC an amount equal to the difference between **A** and **B**. If **B** is greater than **A**, the amount by which **B** exceeds **A** shall be applied as a credit to the Academy's monthly rent obligation for the current fiscal year until such excess is reduced to zero.

During fiscal year 2018, the Academy made lease payments to Obermiller LLC totaling $52,644. As the lease ended on June 30, 2018, no final accounting was performed for fiscal year 2018. Based on 157.29 FTE per the Ohio Department of Education's Final Version 2 of the FY18 Detail Funding Report for Community Schools, the amount overpaid to Obermiller LLC was $5,457 (157.29 FTE times $300 less $52,644 payments made).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Obermiller LLC in the amount of $5,457 and in favor of Eastland Preparatory Academy's General Fund, in the amount of $5,457.

The Finding for Recovery was repaid in full by Obermiller LLC to the General Fund and deposited on August 7, 2019.

Officials' Response

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE
KEITH FABER

EASTLAND 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
OCTOBER 3, 2019