BUCKEYE URBAN EDUCATION SOLUTIONS dba INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Buckeye Urban Education Solutions dba Insight School of Ohio
1690 Woodland Dr Ste 200
Maumee, OH 43537

We have reviewed the *Independent Auditor's Report* of the Buckeye Urban Education Solutions dba Insight School of Ohio, Franklin County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Buckeye Urban Education Solutions dba Insight School of Ohio is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2018

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BUCKEYE URBAN EDUCATION SOLUTIONS
dba INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Buckeye Urban Education Solutions
dba Insight School of Ohio
Columbus, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Buckeye Urban Education Solutions dba Insight School of Ohio, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Urban Education Solutions dba Insight School of Ohio as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during 2018, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As discussed in Note 19 of the financial statements, the School closed on June 30, 2018. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgz@jgzcpa.com, c=US
Date: 2019.01.31 09:41:05 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

January 30, 2019

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

The discussion and analysis of Buckeye Urban Education Solutions dba Insight School of Ohio's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* issued June 1999.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Total net position was ($3,628,393) as of June 30, 2018, which is a $1,498,325 increase from restated net position of ($5,126,718) at June 30, 2017.

- Due to a slight increase in FTE and an increase in the per-FTE rate for basic education, total revenue increased from $9,578,616 in FY 2017 to $9,955,959 in FY 2018.

- Due to a decrease in the net pension liability, total program expenses decreased from $10,875,868 in fiscal year 2017 to $8,457,634 in fiscal year 2018.

Using this Financial Report

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

Reporting the School as a Whole

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition because of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the School's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the Statement of Net Position – as one way to measure the School's financial health or financial position. Over time, increases or decreases in the School's net position – as reported in the Statement of Net Position – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the School, to assess the overall health of the School.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the activities for the School, which encompass all the School's services, including instruction, support services and community services. Unrestricted state aid and state and Federal grants finance most of these activities.

The table below provides a summary of the School's net position for fiscal year 2018 and fiscal year 2017:

	2018	Restated 2017
Assets:		
Cash and Other Current Assets	$3,267,606	$984,641
Capital Assets, Net	0	12,045
Total Assets	$3,267,606	$996,686
Deferred Outflows of Resources:		
Pension	5,061,148	4,960,808
OPEB	265,431	2,760
Total Deferred Outflows of Resources	5,326,579	4,963,568
Liabilities:		
Current Liabilities	3,267,603	996,685
Long Term Liabilities:		
Net Pension Liability	6,978,693	8,409,138
Net OPEB Liability	1,575,638	1,681,149
Total Liabilities	11,821,934	11,086,972
Deferred Inflows of Resources:		
Pension	224,649	0
OPEB	175,995	0
Total Deferred Inflows of Resources	400,644	0
Net Position:		
Invested in Capital Assets	0	12,045
Unrestricted	(3,628,393)	(5,138,763)
Total Net Position	($3,628,393)	($5,126,718)

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

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

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

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

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

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

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

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($3,448,329) to ($5,126,718).

Cash and other current assets increased by $2,282,965 in 2018. This is related to an increase in cash due to the school closing. Payments to the management company were delayed in order to pay other vendors first. Current liabilities increased $2,270,918 due to an increase in accounts payable due to delayed payments to the management company and accrued wages and benefits related to severance payments, offset by a decrease in intergovernmental payable due to a negative funding adjustment for fiscal year 2017.

The table below shows the changes in net position for fiscal year 2018 and fiscal year 2017, as well as a listing of revenues and expenses:

	2018	2017
Operating Revenue		
Foundation	$7,271,776	$7,271,454
Special Education	1,790,262	1,621,445
Other	(7,201)	0
Total Operating Revenue	9,054,837	8,892,899
Non-Operating Revenue		
Grants and Program Initiatives	901,122	685,717
Total Revenue	9,955,959	9,578,616
Operating Expenses		
Salaries	3,493,435	2,865,128
Fringe Benefits	(615,245)	2,070,788
Purchased Services	4,992,637	5,286,402
Materials and Supplies	537,679	606,858
Depreciation	2,344	2,305
Other Operating Expenses	46,784	44,387
Total Expenses	8,457,634	10,875,868
Total Change in Net Position	$1,498,325	($1,297,252)

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, the 2017 functional expenses still include OPEB expense of $2,760 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 OPEB expense of ($192,186). Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$8,457,634
Negative OPEB expense under GASB 75	192,186
2018 contractually required contribution	9,836
Adjusted 2018 program expenses	8,659,656
Total 2017 program expenses under GASB 45	10,875,868
Decrease in program expenses not related to OPEB	($2,216,212)

The revenue for a community school is almost entirely dependent on the per-pupil allotment given by the State foundation and from Federal entitlement programs.

For the School, the total revenue increased 4% and total expenses decreased 22% from fiscal year 2017 to 2018. The increase in revenues is due to an increase in the per-pupil rates for foundation and special education funding. The decrease in expenses is related to a decrease in pension expense and OPEB expense due to a decrease in the net pension liability and net OPEB liability as required by GASB 68 and GASB 75.

The School's most significant expense is purchased services, which represents 59% of total expenses. The total comprises primarily of fees paid to K12 Inc. for curriculum, student computers, management fees and technology fees. The agreement between the School and K12 provides for the School to remit a specific percentage of certain revenues received to K12 for management and technology services. See Note 15 of the financial statements for details of the agreement.

Capital Assets

At the end of fiscal year 2018, the School had $0 net of depreciation invested in furniture and equipment. The School donated all capital assets due to the school closure.

Current Financial Related Activities

Buckeye Urban Education Solutions DBA Insight School of Ohio ceased operations on June 30, 2018. See Note 19.

Contacting the School's Financial Management

This financial report is designed to provide all stakeholders with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Kate Diu, School Treasurer, Insight School of Ohio, 1690 Woodlands Drive, Suite 200, Maumee, OH 43537.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	$2,642,387
Prepaid Assets	5,066
Accounts Receivable	99,337
Intergovernmental Receivable	520,816
Total Current Assets	3,267,606
Deferred Outflows of Resources	
Pension	5,061,148
OPEB	265,431
Total Deferred Outflows of Resources	5,326,579
Liabilities	
Current Liabilities	
Accounts Payable	2,922,915
Accrued Wages and Benefits	304,200
Intergovernmental Payable	40,488
Total Current Liabilities	3,267,603
Long-Term Liabilities	
Net Pension Liability	6,978,693
Net OPEB Liability	1,575,638
Total-Long Term Liabilities	8,554,331
Total Liabilities	11,821,934
Deferred Inflows of Resources	
Pension	224,649
OPEB	175,995
Total Deferred Inflows of Resources	400,644
Net Position	
Invested in Capital Assets	
Unrestricted	0
	(3,628,393)
Total Net Position	($3,628,393)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

Operating Revenues	
Foundation Payments	$7,271,776
Special Education	1,790,262
Other Revenues	(7,201)
Total Operating Revenues	9,054,837
Operating Expenses	
Salaries	3,493,435
Fringe Benefits	(615,245)
Purchased Services	4,992,637
Materials and Supplies	537,679
Depreciation	2,344
Other	46,784
Total Operating Expenses	8,457,634
Operating Income	597,203
Non-Operating Revenues	
Grants Received – Federal	786,464
Grants Received – State & Local	114,658
Total Non-Operating Revenues	901,122
Change in Net Position	1,498,325
Net Position Beginning of Year (Restated – See Note 3)	(5,126,718)
Net Position End of Year	($3,628,393)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Special Education	$1,597,633
Cash Received from Others	2,500
Cash Received from Foundation Payments	6,819,250
Cash Payments to Suppliers for Goods and Services	(3,922,572)
Cash Payments to Employees for Services	(2,172,759)
Cash Payments for Employee Benefits	(720,017)
Cash Payments to Others	(53,128)
Net Cash Provided by Operating Activities	1,550,907
Cash Flows from Noncapital Financing Activities	
Grants Received – Federal	500,469
Grants Received – State & Local	82,874
Net Cash Provided by Noncapital Financing Activities	583,343
Net Increase in Cash and Cash Equivalents	2,134,250
Cash and Cash Equivalents at Beginning of Year	508,137
Cash and Cash Equivalents at End of Year	$2,642,387

(Continued)

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$597,203
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	2,344
Loss on disposal of fixed assets	9,701
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	104,985
Decrease in Intergovernmental Receivable	23,787
Decrease in Prepaid Items	43,291
(Increase) in Deferred Outflows - Pension	(100,341)
(Increase) in Deferred Outflows - OPEB	(262,671)
Increase in Accounts Payable	2,894,172
Increase in Accrued Wages and Benefits	86,300
(Decrease) in Intergovernmental Payable	(709,552)
(Decrease) in Net Pension Liability	(1,430,445)
(Decrease) in Net OPEB Liability	(108,511)
Increase in Deferred Inflows – Pension	224,649
Increase in Deferred Inflows - OPEB	175,995
Total Adjustments	953,704
Net Cash Provided by Operating Activities	1,550,907

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Insight School of Ohio (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School offers home-based public education for Ohio children in grades 6-12. Parents, community leaders, and educators are working with the School to help provide an excellent education option. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with Buckeye Community Hope Foundation (the Sponsor) for a period of two academic years commencing on July 1, 2013. The contract was renewed for three additional years commencing July 1, 2015. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsor denied renewal of the contract at its expiration date of June 30, 2018 (see Note 19).

The School operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The School contracts with K12 Inc. for a variety of services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment for teachers and students (see Notes 15 and 16). K12 Inc. employs the School's instructional/support staff of 9 administrative and 71 certificated teaching and other personnel who provide services to approximately 1,528 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except under Ohio Revised Code Section 5705.391, the School must prepare a five-year spending plan and submit it to the Ohio Superintendent of Public Instruction. In addition, the Sponsor does prescribe an annual budget requirement which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the dates received. The School maintains a capitalization threshold of over $1,000 for all assets, except leased assets. Leased assets with a purchase price of $5,000 or less will not be capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of capital assets is computed using the straight-line method and the School utilizes the useful lives established by the IRS.

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. For the fiscal year ended June 30, 2018 State Foundation Program revenue was $7,271,776 and revenue from the Special Education Program was $1,790,262.

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

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

Grants awarded in 2018 included the following: Title I: $408,945, Title II-A: $58,469, Title IV-A: $10,000, IDEA-B: $307,879 and Secondary Transition: $1,171.

Amounts awarded under the above-named programs for the 2018 fiscal year totaled $9,848,502.

G. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Position relating to expenses which are due but unpaid as of June 30, 2018 including: accounts and intergovernmental payables and accrued wages and benefits.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The School had no debt as of June 30, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had no restricted net position at June 30, 2018.

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

I. Operating Revenues and Expenses

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

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Deferred Outflows/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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been reported on the Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the Statement of Net Position will 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 School, deferred inflows of resources have been reported on the Statement of Net Position for pension and OPEB (see Notes 9 and 10).

L. Prepaid Items

Payments made to vendors for services that will benefit fiscal years beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year ended in which services are consumed.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting) and GASB Statement No. 85, "Omnibus 2017".

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflow of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported on June 30, 2017:

Net position June 30, 2017	$(3,448,329)
Adjustments:	
Net OPEB Liability	(1,681,149)
Deferred Outflow – Payments Subsequent to Measurement Date	2,760
Restated Net Position June 30, 2017	($5,126,718)

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School.

4. DEPOSITS

At June 30, 2018, the carrying amount of the School's deposits totaled $2,642,387 and its bank balance was $2,661,538. Based on the criteria described in GASB Statement No. 40, *"Deposit and Investment Risk Disclosure",* as of June 30, 2018, $2,411,538 of the bank balance was exposed to custodial credit risk as discussed below, while $250,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

5. RECEIVABLES

Receivables at June 30, 2018 consisted of Federal grant revenues receivable, which are considered collectible in full due to the stable condition of Federal programs, as well as accounts receivable. Receivables are listed as follows:

Program/Vendor	Amount
Title I & Title II-A	$272,598
Title IV	10,000
IDEA	202,267
Secondary Transition	1,171
Casino Revenue	34,780
State Foundation	0
Total Intergovernmental Receivables	520,816
Accounts Receivable	99,337
Total Receivables	$620,153

6. CAPITAL ASSETS

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

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Furniture, Fixtures & Equipment	$14,871	0	(14,871)	0
Less: Accumulated Depreciation	(2,826)	0	2,826	0
Capital Assets, Net	$12,045	$0	($12,045)	$ 0

7. INSTRUCTION

Approximately 87 percent of operating expenditures are used to provide direct instruction to students. Costs by various categories are as follows:

Service Type	Total
Teacher Salaries, Benefits & Expenses	$2,585,952
Web Based Software - Curriculum	1,596,303
Student Computers, Internet & Technology	1,580,497
Pupil Support Salaries, Benefits & Expenses	820,297
Instructional Materials	484,791
Special Education Services	308,041
Total	$7,375,881

8. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2018, the School obtained insurance through broker Arthur J. Gallagher & Co. with the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	$3,000,000

B. Workers' Compensation

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

9. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire on or After August 1, 2017
Full Benefits	Age 65 with 5 years of service credit or 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 or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated as the greater of $86 multiplied by the years of service or the 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.

On each anniversary of the initial retirement, the allowance of all retirees and survivors is increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLAs shall be suspended for calendar years 2018, 2019 and 2020.

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

The School's contractually required contributions to SERS were $168,699 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are 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 are limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $343,731 for fiscal year 2018. Of this amount $0 was reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.023768%	0.019925%	
Proportion of the Net Pension Liability Current Measurement Date	0.028530%	0.022202%	
Change in Proportionate Share	0.004762%	0.002277%	
Proportionate Share of the Net Pension Liability	$1,704,622	$5,274,071	$6,978,693
Pension Expense	$ 93,593	($1,399,732)	($1,306,139)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 73,360	$ 203,660	$ 277,020
Change in proportionate share	560,314	2,469,740	3,030,054
Change in assumptions	88,147	1,153,497	1,241,644
School contributions subsequent to the measurement date	168,699	343,731	512,430
Total Deferred Outflows of Resources	$890,520	$4,170,628	$5,061,148

	SERS	STRS	Total
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$8,092	$174,051	$182,143
Differences between expected and actual experience	0	42,506	42,506
Total Deferred Inflows of Resources	$8,092	$216,557	$224,649

$512,430 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$394,818	$1,220,484	$1,615,302
2020	274,028	1,457,251	1,731,279
2021	84,621	706,869	791,490
2022	(39,738)	225,736	185,998
Total	$713,729	$3,610,340	$4,324,069

Actuarial Assumptions – SERS

SERS' total pension liability was determined by its actuaries in accordance with GASB Statement No. 67, as part of its 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

Prior to 2017, an assumption of 3 percent was used for COLA or ad hoc COLA.

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.5 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 (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School's proportionate share of the net pension liability	$2,365,573	$1,704,622	$1,150,942

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent net of investment expenses
Cost-of-living adjustments	0 percent effective July 1, 2017

Mortality rates were based on the RP-2000 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing 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 %	

* The 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and do not include investment expenses. Over a 30-year period,

STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate
The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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 payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	$7,560,201	$5,274,071	$3,348,349

Changes Between Measurement Date and Report Date

Effective July 1, 2017 the COLA was reduced to zero.

10. Defined Benefit OPEB Plans

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)
Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986 need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage is 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, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School's surcharge obligation was $3,588.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $9,836 for fiscal year 2018. Of this amount $3,588 is reported as an 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.

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.021595%	0.019925%	
Proportion of the Net OPEB Liability Current Measurement Date	0.026434%	0.022202%	
Change in Proportionate Share	0.004839%	0.002277%	
Proportionate Share of the Net OPEB Liability	$709,408	$866,230	$1,575,638
OPEB Expense	$ 54,747	($246,933)	($ 192,186)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 0	$ 50,004	$ 50,004
Change in proportionate share	101,229	104,362	205,591
School contributions subsequent to the measurement date	9,836	0	9,836
Total Deferred Outflows of Resources	$111,065	$154,366	$265,431

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between projected and actual earnings on OPEB plan investments	$ 1,874	$ 37,024	$ 38,898
Changes of assumptions	67,319	69,778	137,097
Total Deferred Inflows of Resources	$69,193	$106,802	$175,995

$9,836 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$11,818	$4,842	$16,660
2020	11,818	4,842	16,660
2021	8,869	4,842	13,711
2022	(469)	4,842	4,373
2023	0	14,098	14,098
2024	0	14,098	14,098
Total	$32,036	$47,564	$79,600

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.

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
	Entry age normal
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.

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

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

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

to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates
The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School’s proportionate share of the net OPEB liability	$856,701	$709,408	$592,715

	1% Decrease (6.5% decreasing to 6%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School’s proportionate share of the net OPEB liability	$575,632	$709,408	$886,464

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

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent net of investment expenses, including inflation
Cost-of-living adjustments	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, valuations are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

* The 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and do not include investment expenses. Over a 30-year period, STRS Ohio's 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.

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School’s proportionate share of the net OPEB liability	$1,162,900	$866,230	$631,764

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School’s proportionate share of the net OPEB liability	$601,819	$866,230	$1,214,225

11. CONTINGENCIES

A. Grants

The School received financial assistance from state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the School at June 30, 2018.

B. State Foundation Funding

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

Under Ohio Revised Code Section 3314.08, ODE may also perform an FTE review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information. ODE performed such a review on the School for fiscal year 2018.

As of the date of this report, ODE has made one adjustment of ($78,480) due to attendance adjustments reported by the School, which is included in intergovernmental payable.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with its sponsor, Buckeye Community Hope Foundation, and management company, K12 Inc., require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

12. OPERATING LEASES

During fiscal year 2018 the School leased an office facility under an operating lease. The terms of this lease ended June 30, 2018. Total lease payments were $51,156 for the year ended June 30, 2018.

13. PURCHASED SERVICE EXPENSES

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

Service Type	Total
Professional/Technical Services	$3,535,797
Property Services	1,308,930
Travel	66,000
Communications	81,756
Contracted Trade	154
Total	$4,992,637

14. TAX EXEMPT STATUS

The School was approved for tax exempt status under § 501(c)(3) of the Internal Revenue Code.

15. MANAGEMENT AGREEMENT

The School entered into a five-year contract, effective July 1, 2013 through June 30, 2018, with K12 Inc. for educational, administrative and technology services. Per the management agreement, K12 Inc. is entitled to 15 percent of revenues as an administrative fee (management) and 7 percent of revenues as a technology fee. The educational services are purchased at the prevailing rate charged by K12 Inc. to its partner schools. Terms of the contract require K12 Inc. to provide the following:

A. Administrative services:
- Personnel and facility management
- Administration of all business aspects and day-to-day management of the School
- Budgeting and financial reporting and the annual reports
- Maintenance of financial and student records
- Pupil recruitment, admissions and student discipline
- Rules and procedures and nondiscrimination requirements
- Public relations

B. Technology services:
- Integrate technology and data systems with School's curriculum
- Monitor and analyze data, as necessary
- Report on pupils' academic performance
- Seek and secure competitive pricing and discounts for School, as available
- Provide training to staff, parents, and students as deemed necessary
- Develop, design, publish and maintain the School's interactive website
- Supervise installation of School's internal computer and telephone network
- Negotiate contracts with computer, printer, student information system, software and office set-up vendors
- Determine hardware configurations for the School's technology needs
- Support administrators in troubleshooting system errors

C. Educational services:
- Curriculum
- Instructional tools
- Additional educational services

For the fiscal year ended June 30, 2018, $8,227,906 of expenses were incurred through K12. The breakdown is as follows:

Service Type	Total
Teacher Salaries and Benefits	$3,740,889
Web Based Software - Curriculum	1,801,757
Student Computers - Lease	1,135,217
Technology Services Fee	697,281
Instructional Materials Usage	459,159
Management Fee	393,603
Total	$8,227,906

16. K12 INC. MANAGEMENT COMPANY DISCLOSURE

For the fiscal year ended June 30, 2018, K12 Inc. incurred the following expenses in support of the School:

Direct Expenses	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
Salaries and Wages (100 object codes)	$ 0	$ 0	$1,036,602	$ 0	$1,036,602
Employees' Benefits (200 object codes)	0	0	359,139	0	359,139
Professional and Technical Services (410 object codes)	0	0	261,670	0	261,670
Property Services (420 object codes)	0	0	9,812	0	9,812
Travel (430 object codes)	0	0	35,324	0	35,324
Communications (440 object codes)	0	0	399,548	0	399,548
Contracted Craft or Trade Services (460 object codes)	0	0	299,450	0	299,450
Other Purchased Services (490 object codes)	0	0	53,347	0	53,347
Books, Periodicals and Films (520, 530, 540 object codes)	315,111	53,115	0	0	368,226
Other Supplies (510, 550, 570, 580, 590 object codes)	0	0	3,732	0	3,732
Depreciation	0	0	0	709,967	709,967
Interest (820 object code)	0	0	0	64,652	64,652
Dues and Fees (object code 840)	0	0	141,642	0	141,642
Other Direct Costs (all other object codes)	0	0	246,098	0	246,098
Total Allocated Direct Expenses	315,111	53,115	2,846,364	774,619	3,989,209
Overhead	0	0	1,709,768	0	1,709,768
Total Direct Expenses and Overhead	$315,111	$53,115	$4,556,132	$774,619	$5,698,977

Overhead expenses were allocated to the School based on the ratio of revenue earned from the School to total revenue from all schools managed by K12 Inc.

17. SPONSOR

The School was approved for operation under a contract with Buckeye Community Hope Foundation (the Sponsor) for a period of two academic years commencing on July 1, 2013. The contract was renewed for three additional years commencing July 1, 2015. The Sponsor chose not to renew the contract at its expiration on June 30, 2018. As part of this contract, the Sponsor is paid an oversight fee which is 3 percent of the total State Foundation funds received during the year. The total amount paid to the Sponsor for fiscal year 2018 was $270,727.

18. BALANCE BUDGET CREDITS / RELATED PARTY TRANSACTION

The School and K12 Inc. agreed the School will not end the year with a negative net asset position, before the effects of GASB 68 and GASB 75. At the end of the year, if necessary based on the School's audited financial statements, K12 will issue Balance Budget Credits in an amount sufficient to balance the School's budget.

At the end of the each fiscal year, if the School has a positive net asset position, before the effects of GASB 68 and GASB 75, as evidenced by the audited financial statements, the School will repay a portion or all of the prior year's Balance Budget Credit depending on the amount of the positive net asset position. At the end of the contract term, if there is a balance of Balance Budget Credits which have not been remitted, such credits would be forgiven by K12.

At the end of fiscal year 2018, K12 Inc. issued a Balance Budget Credit of $1,100,571. This Balance Budget Credit is reflected as a decrease in accounts payable owed to K12 Inc.

19. SPECIAL ITEM - CLOSURE OF BUCKEYE URBAN EDUCATION DBA INSIGHT OF OHIO

The School ceased operations on June 30, 2018. The decision was made by Buckeye Community Hope Foundation ("Buckeye") to not renew the sponsorship contract which expired on June 30, 2018. The School was notified on December 15, 2017 with their final decision. The School has followed the closing procedures required by ODE. The School's current net position as of November 27, 2018 is below:

Assets:	
Current Assets:	
Cash and Cash Equivalents	$1,426,067
Receivables	107,042
Prepaid Assets	3,250
Total Current Assets	1,536,359
Deferred Outflows of Resources:	
Pension	5,061,148
OPEB	265,431
Total Deferred Outflows of Resources	5,326,579
Liabilities:	
Current Liabilities:	
Accounts Payable	1,540,681
Long-term Liabilities:	
Net Pension Liability	6,978,693
Net OPEB Liability	1,575,638
Total Liabilities	10,095,012
Deferred Inflows of Resources:	
Pension	224,649
OPEB	175,995
Total Deferred Inflows of Resources	400,644
Net Position:	
Invested in Capital Assets	0
Unrestricted	(3,632,718)
Total Net Position	($3,632,718)

The School's revenues, expenses and changes in net position as of November 27, 2018 are below:

Operating Revenue	
Foundation	$0
Special Education	0
Non-Operating Revenue	
Grants and Program Initiatives	0
Total Revenue	0
Operating Expenses	
Salaries	0
Fringe Benefits	0
Purchased Services	4,325
Materials and Supplies	0
Depreciation	0
Other Operating Expenses	0
Total Expenses	4,325
Total Increase/(Decrease) in Net Position	($4,325)

Expenses recorded after the School closed on June 30, 2018 were primarily for audit, legal fees, shipping and postage of school records to home schools.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
School's Proportion of the Net Pension Liability	0.028530%	0.023768%	0.017002%	0.006703%
School's Proportionate Share of the Net Pension Liability	$1,704,622	$1,739,605	$970,128	$339,235
School's Covered-Employee Payroll	$1,249,621	$740,396	$560,561	$198,625
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	136.42%	234.96%	173.06%	170.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%

Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it become available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017	2016	2015
School's Proportion of the Net Pension Liability	0.022202%	0.019925%	0.015759%	0.005035%
School's Proportionate Share of the Net Pension Liability	$5,274,071	$6,669,532	$4,355,457	$1,224,730
School's Covered-Employee Payroll	$2,455,221	$2,096,503	$1,658,177	$548,698
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	214.81%	318.13%	262.67%	223.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it become available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017	2016	2015	2014
Contractually Required Contribution	$168,699	$130,658	$103,655	$73,894	($26,996)
Contributions in Relation to the Contractually Required Contribution	($168,699)	($130,658)	($103,655)	($73,894)	26,996
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
School Covered-Employee Payroll	$1,249,621	$932,707	$740,396	$560,651	$198,625
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.59%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017	2016	2015	2014
Contractually Required Contribution	$343,731	$341,713	$293,510	$230,193	$66,879
Contributions in Relation to the Contractually Required Contribution	($343,731)	($341,713)	($293,510)	($230,193)	(66,879)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
School Covered-Employee Payroll	$2,455,221	$2,440,807	$2,096,503	$1,658,177	$548,698
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.88%	12.19%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017
School's Proportion of the Net OPEB Liability	0.026434%	0.021595%
School's Proportionate Share of the Net OPEB Liability	$709,408	$615,549
School's Covered-Employee Payroll	$1,249,621	$956,543
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	56.77%	64.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017
School's Proportion of the Net OPEB Liability	0.022202%	0.019925%
School's Proportionate Share of the Net OPEB Liability	$866,230	$1,065,599
School's Covered-Employee Payroll	$2,455,221	$2,440,807
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	35.29%	43.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.1%	37.3%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017	2016	2015	2014
Contractually Required Contribution (2)	$9,836	$2,760	$240	$5,527	$3,444
Contributions in Relation to the Contractually Required Contribution	($9,836)	($2,760)	($240)	($5,527)	($3,444)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
School Covered-Employee Payroll	$1,249,621	$932,707	$740,396	$560,651	$198,625
Contributions as a Percentage of Covered-Employee Payroll	0.79%	0.30%	0.04%	0.99%	1.74%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

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

	2018	2017	2016	2015	2014
Contractually Required Contribution	$0	$0	$0	$0	$5,145
Contributions in Relation to the Contractually Required Contribution	($0)	($0)	($0)	($0)	($5,145)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
School Covered-Employee Payroll	$2,455,221	$2,440,807	$2,096,503	$1,658,177	$548,698
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.93%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

See accompanying notes to the required supplementary information.

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- 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 males rates and 110% of female rates
- 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.

There were no changes in methods and assumptions used in the evaluation of actuarially determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: Effective July 1, 2017, the COLA was reduced to zero.

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

BUCKEYE URBAN EDUCATION SOLUTIONS
DBA INSIGHT SCHOOL OF OHIO
FRANKLIN COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – NET OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

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Garfield Hts., Ohio 44125

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board
Buckeye Urban Education Solutions
dba Insight School of Ohio
Columbus, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Buckeye Urban Education Solutions dba Insight School of Ohio, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 30, 2019, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* and the School closed on June 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgz@jgzcpa.com, c=US
Date: 2019.01.31 09:42:20 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

January 30, 2019

SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2018

The prior audit report, as of June 30, 2017, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE
KEITH FABER

INSIGHT SCHOOL OF OHIO

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
MARCH 26, 2019