OHIO VIRTUAL ACADEMY
LUCAS COUNTY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Directors
Ohio Virtual Academy
1690 Woodlands Dr, Ste 200
Maumee, Ohio 43537

We have reviewed the *Independent Auditor's Report* of the Ohio Virtual Academy, Lucas County, prepared by Weber Clark Ltd., 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 Ohio Virtual Academy is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 21, 2019

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OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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Weber Clark
Certified Public Accountants | Strategic Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Ohio Virtual Academy
Lucas County
1690 Woodlands Drive Suite 200
Maumee, Ohio 43537

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for 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 entity'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 entity'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.

The Board of Trustees
Ohio Virtual Academy
Lucas County

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Virtual Academy, Lucas County, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2018, the Academy adopted new accounting guidance, *GASBS 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 8 and the supplemental pension and other post-employment benefit disclosure information on pages 39 - 46 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ohio Virtual Academy, Lucas County's basic financial statements. The schedule of federal awards receipts and expenditures on page 49 is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*, *Cost Principles,* and *Audit Requirements for Federal Awards,* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards receipts and expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Ohio Virtual Academy, Lucas County'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 the effectiveness of the Ohio Virtual Academy, Lucas County's 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 Ohio Virtual Academy, Lucas County's internal control over financial reporting and compliance.

Wilson Clarke Ltd.

January 28, 2019

The discussion and analysis of Ohio Virtual Academy's (the Academy) 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 Academy'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 Academy'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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Total net position was ($35,863,374) as of June 30, 2018, which is a $17,442,054 increase from restated net position of ($53,305,428) at June 30, 2017.

- Due to an increase in enrollment, total revenue increased from $65,156,417 in fiscal year 2017 to $78,651,478 in fiscal year 2017.

- Similarly, total program expenses increased with enrollment, but were offset by a decrease in benefits expenses due to a decrease in the net pension liability and net OPEB liability. Total expenses decreased from $64,932,832 in fiscal year 2017 to $61,209,424 in fiscal year 2018.

- Current liabilities decreased $622,941 with cash and other current assets decreasing $622,941 in 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 Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result 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 Academy's financial statements, report information on the Academy 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 Academy'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 Academy's financial health or financial position. Over time, increases or decreases in the Academy'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 Academy's operating results. However, the Academy'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 Academy, to assess the overall health of the Academy.

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

Table 1 provides a summary of the Academy's net position for fiscal year 2018 and fiscal year 2017:

Table 1

Net Position

	2018	Restated 2017
Assets:		
Cash and Other Current Assets	$9,856,909	$10,479,850
Total Assets	9,856,909	10,479,850
Deferred Outflows of Resources:		
Pension	10,102,565	8,118,522
OPEB	295,221	2,184
Total Deferred Outflows of Resources	10,397,786	8,120,706
Liabilities:		
Current Liabilities	9,606,909	10,229,850
Long-term Liabilities:		
Net Pension Liability	31,915,798	47,359,208
Net OPEB Liability	5,988,780	8,392,263
Total Liabilities	47,511,487	65,981,321
Deferred Inflows of Resources:		
Pension	7,435,205	5,924,663
OPEB	1,171,377	0
Total Deferred Inflows of Resources	8,606,582	5,924,663
Net Position:		
Unrestricted	(35,863,374)	(53,305,428)
Total Net Position	($35,863,374)	($53,305,428)

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net 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 Academy's proportionate share of each plan's collective:

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

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

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

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

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

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($44,915,349) to ($53,305,428).

Cash and other current assets decreased by $622,941 in 2018. This is related to a decrease in the amount due from the management company for a service credit (see Note 19). In addition, current liabilities decreased by $622,941 year over year. This is related to a decrease in intergovernmental payables due to the timing of attendance adjustments. At the end of FY18 the Academy was owed additional funding; at the end of FY17 the Academy had been overpaid.

Table 2 shows the changes in net position for fiscal year 2018 and fiscal year 2017, as well as a listing of revenues and expenses:

Table 2

Changes in Net Position

	2018	2017
Operating Revenue		
Foundation	$60,410,898	$48,744,025
Special Education	11,625,464	9,286,333
Other Operating Revenue	26,497	148,897
Non-Operating Revenue		
Grants and Program Initiatives	6,588,619	6,977,162
Total Revenue	78,651,478	65,156,417
Operating Expenses		
Salaries	17,359,528	15,123,935
Fringe Benefits	(11,413,680)	5,506,888
Purchased Services	44,952,821	36,064,511
Materials and Supplies	9,564,845	7,610,298
Depreciation	0	7,136
Other Operating Expenses	745,910	620,064
Total Expenses	61,209,424	64,932,832
Total Increase/(Decrease) in Net Position	$17,442,054	$ 223,585

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 operating expenses still include OPEB expense of $2,184 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 ($1,525,143). Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$61,209,424
Negative OPEB expense under GASB 75	1,525,143
2018 contractually required contribution	21,258
Adjusted 2018 program expenses	62,755,825
Total 2017 program expenses under GASB 45	64,932,832
Decrease in program expenses not related to OPEB	($2,177,007)

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

For the Academy, the total revenue increased 21% and total expenses decreased 6% from fiscal year 2017 to fiscal year 2018. The increase in foundation revenue is a result of increased enrollment.

Special Education revenue is weighted based on the category of disability of the Special Education students enrolled in the Academy. The increase of 25% in Special Education revenue is due to an increase in Special Education students and the severity of the disabilities of the students enrolled in the Academy.

Non-operating revenue decreased by $388,543. This is due to a decrease in Federal grant awards. Even though enrollment increased, the Federal awards were granted prior to the start of the school year before the increase took place.

Overall, the decrease of $3,723,408 in total expenses for the Academy is related to a decrease in benefits expenses due to a decrease in the net pension liability and net OPEB liability. Otherwise, expenses increased with enrollment.

Capital Assets

At the end of fiscal year 2018, the Academy had $0 net of depreciation invested in furniture and equipment.

Current Financial Related Activities

The Academy's financial outlook over the next several years should remain steady as enrollment is maintained. The management team and Board of Trustees intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net position.

Contacting the Academy's Financial Management

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

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	$ 2,454,330
Prepaid Assets	3,741,392
Accounts Receivable	158,567
Intergovernmental Receivable	3,502,620
Total Current Assets	9,856,909
Deferred Outflows of Resources	
Pension	10,102,565
OPEB	295,221
Total Deferred Outflows of Resources	10,397,786
Liabilities	
Current Liabilities	
Accounts Payable	6,827,213
Accrued Wages and Benefits	2,019,330
Intergovernmental Payable	760,366
Total Current Liabilities	9,606,909
Long-Term Liabilities	
Net Pension Liability	31,915,798
Net OPEB Liability	5,988,780
Total Long-Term Liabilities	37,904,578
Total Liabilities	47,511,487
Deferred Inflows of Resources	
Pension	7,435,205
OPEB	1,171,377
Total Deferred Inflows of Resources	8,606,582
Net Position	
Unrestricted	($35,863,374)
Total Net Position	($35,863,374)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

Operating Revenues	
Foundation Payments	$60,410,898
Special Education	11,625,464
Other Revenues	26,497
Total Operating Revenues	72,062,859
Operating Expenses	
Salaries	17,359,528
Fringe Benefits	(11,413,680)
Purchased Services	44,952,821
Materials and Supplies	9,564,845
Other	745,910
Total Operating Expenses	61,209,424
Operating Income	10,853,435
Non-Operating Revenues	
Grants Received – Federal	5,910,766
Grants Received – State & Local	677,853
Total Non-Operating Revenues	6,588,619
Change in Net Position	17,442,054
Net Position Beginning of Year – Restated (See Note 3)	(53,305,428)
Net Position End of Year	($35,863,374)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from Special Education	$11,474,962
Cash Received from Others	26,497
Cash Received from Foundation Payments	58,184,007
Cash Payments to Suppliers for Goods and Services	(51,509,321)
Cash Payments to Employees for Services	(16,966,046)
Cash Payments for Employee Benefits	(5,765,925)
Cash Payments to Others	(687,072)
Net Cash Used for Operating Activities	(5,242,898)
Cash Flows from Noncapital Financing Activities	
Grants Received – Federal	5,099,389
Grants Received – State & Local	677,853
Net Cash Provided by Noncapital Financing Activities	5,777,242
Net Increase in Cash and Cash Equivalents	534,344
Cash and Cash Equivalents at Beginning of Year	1,919,986
Cash and Cash Equivalents at End of Year	$ 2,454,330

(Continued)

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

Reconciliation of Operating Income to Net Cash Used for Operating Activities

Operating Income	$10,853,435
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities	
Changes in Assets and Liabilities	
(Increase) in Accounts Receivable	(85,480)
Decrease in Prepaid Items	2,825,451
(Increase) in Intergovernmental Receivable	(771,309)
(Increase) in Deferred Outflows Related to Pension	(1,981,859)
(Increase) in Deferred Outflows Related to OPEB	(295,221)
Increase in Accounts Payable	146,460
Increase in Accrued Wages and Benefits	389,930
(Decrease) in Intergovernmental Payable	(1,159,331)
(Decrease) in Net Pension Liability	(15,443,410)
(Decrease) in Net OPEB Liability	(2,403,483)
Increase in Deferred Inflows Related to Pension	1,510,542
Increase in Deferred Inflows Related to OPEB	1,171,377
Total Adjustments	(16,096,333)
Net Cash Used for Operating Activities	($5,242,898)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Ohio Virtual Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy offers home-based public education for Ohio children in grades K-12. Parents, community leaders, and educators are working with the Academy to help provide an excellent education option. The Academy, 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 Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (formerly known as the University of Toledo Charter School Council) (the Sponsor) for a period of ten academic years commencing on July 1, 2007. The contract was amended to change the expiration date to June 30, 2015, and a new contract was executed for a period of ten academic years commencing July 1, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration (see Note 18).

The Academy operates under the direction of an eleven-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 Board oversees the Academy's instructional/support staff of 65 administrative and 394 certificated teaching and other personnel who provide services to approximately 12,503 students.

The Academy 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 16 and 17).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy 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 Academy's accounting policies are described below:

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. Enterprise 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 and all liabilities 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 Academy 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. Estimates

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

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources 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 Academy, 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 10 and 11.

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 Academy, deferred inflows of resources have been reported on the Statement of Net Position for pension and OPEB (see Notes 10 and 11).

E. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except under Ohio Revised Code Section 5705.391, the Academy 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 in addition to preparing the five year spending plan which is to be updated on an annual basis.

F. Cash and Cash Equivalents

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

G. Prepaid Assets

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

H. 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 fair market values as of the dates received. The Academy 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 Academy utilizes the useful lives established by the IRS.

I. Intergovernmental Revenues

The Academy 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 $60,410,898 and revenue from the Special Education Program was $11,625,464.

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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Academy also participates in various State and Federal operating grants. Grants awarded in 2018 included the following: IDEA: $1,909,334, Title I: $2,734,315, Title IIA: $1,055,350, English Language Acquisition: $1,282, Title IV-A: $56,437, Secondary Transition Strategies: $6,570, School Improvement: $135,982 and Hurricane Education Recovery: $11,496.

Amounts awarded under the above named programs for the 2018 year totaled $77,947,128.

J. Accrued Liabilities

The Academy 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.

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Invested in capital assets, net of related debt 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 Academy has no debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Compensated Absences

All full time employees are eligible for personal time determined by the effective date of their individual employment contract. Personal time will not carryover from one year to the next. Unused personal time will not be paid out upon termination of employment.

All full time employees can accrue sick time. Sick time may be accrued to an aggregate of not more than 360 hours. Unused sick time will not be paid out upon termination of employment.

M. 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.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the Academy 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), GASB Statement No. 81, "Irrevocable Split-Interest

Agreements," GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

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	$(44,915,349)
Adjustments:	
Net OPEB Liability	(8,392,263)
Deferred Outflow – Payments Subsequent to Measurement Date	2,184
Restated Net Position June 30, 2017	($53,305,428)

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

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, 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 Academy.

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

4. DEPOSITS

At June 30, 2018, the carrying amount of the Academy's deposits totaled $2,454,330 and its bank balance was $2,747,677. Based on the criteria described in GASB Statement No. 40, *"Deposit and Investment Risk Disclosure",* as of June 30, 2018, $2,445,699 of the bank balance was exposed to custodial credit risk as discussed below, while $301,978 was covered by the Federal Depository Insurance Corporation.

5. RECEIVABLES

Receivables at June 30, 2018 mostly consisted of Federal grant revenues receivable which are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of Federal funds. Receivables are listed as follows:

Program/Vendor	Amount
Title I	$ 1,222,901
IDEA	853,769
State Foundation Revenue	771,309
Title II-A	472,663
School Improvement	135,982
Title IV-A	25,277
Temporary Emergency Impact Aid	11,496
Secondary Transition	6,570
IDEA – ECSE	1,371
Title III	1,282
Total Intergovernmental Receivable	3,502,620
Other Receivables	158,567
Total Receivables	$3,661,187

6. CAPITAL ASSETS

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

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Furniture, Fixtures & Equipment	$58,629	$0	$0	$58,629
Less: Accumulated Depreciation	(58,629)	0	0	(58,629)
Capital Assets, Net	$ 0	$0	$0	$ 0

7. LONG-TERM OBLIGATIONS

The changes in the Academy's long-term obligations during the year consist of the following:

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18	Due Within One Year
Net Pension Liability:					
STRS	$43,199,877	$0	$14,304,307	$28,895,570	$0
SERS	4,159,331	0	1,139,103	3,020,228	0
Total Net Pension Liability	47,359,208	0	15,443,410	31,915,798	0
Net OPEB Liability:					
STRS	6,902,099	0	2,156,200	4,745,899	0
SERS	1,490,164	0	247,283	1,242,881	0
Total Net OPEB Liability	8,392,263	0	2,403,483	5,988,780	0
Total Long-Term Obligations	$55,751,471	$0	$17,846,893	$37,904,578	$0

There is no repayment schedule for the net pension liability and net OPEB liability. For additional information related to the net pension liability and net OPEB liability see Note 10 and 11.

8. INSTRUCTION

Approximately 83 percent of operating expenditures are used to provide direct instruction to students. Costs by various categories are as follows:

Service Type	Total
Web Based Software - Curriculum	17,970,718
Student Computers, Internet & Technology	9,647,651
Instructional Materials Expense	9,268,253
Teacher Salaries, Benefits & Expenses	8,846,329
Special Education Services	3,241,681
Pupil Support Salaries, Benefits & Expenses	1,821,008
Total	$50,795,640

9. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2018, the Academy obtained insurance through broker Brooks Insurance Agency, Inc. with the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	$2,000,000
Umbrella Liability per Occurrence	$10,000,000
Umbrella Liability Aggregate	$10,000,000

B. Workers' Compensation

The Academy 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.

C. Employee Medical, Dental, Vision, Prescription and Life Benefits

The Academy is self-insured for employee health care benefits, including prescription drug coverage, for all of its employees. The health care benefits program is administered by United Health Group, Inc., which provides claims review and processing services. The self-insurance program is reported in the schoolwide pool. The Academy purchases stop loss coverage; therefore, the Academy is not responsible for claims within the plan's limits that exceed $75,000 per participant.

The liability for unpaid claims of $380,740 included in Accrued Wages and Benefits and reported in the schoolwide pool at June 30, 2018 is based on the requirements of GASB Statement No. 10, *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* as amended by GASB Statement No. 30, *"Risk Financing Omnibus,"* which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Estimates were calculated based upon an independent actuarial evaluation of claims payable.

The Academy's claims are paid by United Health Group, Inc. The Academy reimburses United Health Group for the expenses and allocates costs among funds based on claims approved by the claims administrator. For the year ending June 30, 2018, claims reported but unpaid were $27,740 and the incurred but not reported claims were determined to be $353,000.

Changes in the claims liability amount in 2018 and 2017 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2018	$382,733	$2,872,143	$2,874,136	$380,740
2017	$204,978	$2,987,152	$2,809,397	$382,733

The Academy has contracted with private carriers to provide dental, vision, and life insurance to its employees.

10. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description
The Academy'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 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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 Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund). For the fiscal year 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 Academy's contractually required contributions to SERS were $257,644 for fiscal year 2018. Of this amount $0 was recorded as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description
The Academy'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. 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 Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $2,123,174 for fiscal year 2018. Of this amount $448,877 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 Academy's proportion of the net pension liability was based on the Academy'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	0.05682862%	0.12905882%	
Proportion of the Net Pension Liability Current Measurement Date	0.05054962%	0.12163885%	
Change in Proportionate Share	(0.00627900%)	(0.00741997%)	
Proportionate Share of the Net Pension Liability	$3,020,228	$28,895,570	$31,915,798
Pension Expense	($307,752)	($13,228,339)	($13,536,091)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$129,980	$1,115,810	$1,245,790
Change of assumptions	156,178	6,319,779	6,475,957
Academy contributions subsequent to the measurement date	257,644	2,123,174	2,380,818
Total Deferred Outflows of Resources	$543,802	$9,558,763	$10,102,565

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 0	$ 232,887	$ 232,887
Net difference between projected and actual earnings on pension plan investments	14,336	953,588	967,924
Change in proportionate share	378,317	5,856,077	6,234,394
Total Deferred Inflows of Resources	$392,653	$7,042,552	$7,435,205

$2,380,818 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($78,715)	($755,945)	($834,660)
2020	74,983	541,263	616,246
2021	(32,355)	538,353	505,998
2022	(70,408)	69,366	(1,042)
Total	($106,495)	$393,037	286,542

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

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. Mortality among service retired members and beneficiaries was based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the 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.

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 Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 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%)
Academy's proportionate share of the net pension liability	$4,191,292	$3,020,228	$2,039,224

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

Post Retirement mortality rates for healthy retirees are based on the RP-2014 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.

Since the prior year measurement date, for fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% 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.

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

The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	$41,420,816	$28,895,570	$18,344,927

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 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 Academy's surcharge obligation was $11,716.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was $21,258 for fiscal year 2018. Of this amount $0 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 Ohio. 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 Academy's proportion of the net OPEB liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.052280%	0.129059%	
Proportion of the Net OPEB Liability Current Measurement Date	0.046312%	0.121639%	
Change in Proportionate Share	(0.005968%)	(0.007420%)	
Proportionate Share of the Net OPEB Liability	$1,242,881	$4,745,899	$5,988,780
OPEB Expense	($ 20,262)	($1,504,881)	($1,525,143)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 0	$ 273,963	$ 273,963
Academy contributions subsequent to the measurement date	21,258	0	21,258
Total Deferred Outflows of Resources	$21,258	$273,963	$295,221

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between projected and actual earnings on OPEB plan investments	$ 3,282	$ 202,851	$206,133
Changes of assumptions	117,943	382,298	500,241
Change in proportionate share	124,870	340,133	465,003
Total Deferred Inflows of Resources	$246,095	$925,282	$1,171,377

$21,258 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$(88,796)	($125,457)	($214,253)
2020	(88,796)	(125,457)	(214,253)
2021	(67,682)	(125,457)	(193,139)
2022	(821)	(125,457)	(126,278)
2023	0	(74,745)	(74,745)
Thereafter	0	(74,746)	(74,746)
Total	($246,095)	($651,319)	($897,414)

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Academy's proportionate share of the net OPEB liability	$1,500,937	$1,242,881	$1,038,435

	1% Decrease (6.5% decreasing to 4%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Academy's proportionate share of the net OPEB liability	$1,008,505	$1,242,881	$1,553,082

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	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
Payroll Increases	3 percent
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, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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 Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate
The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Academy's proportionate share of the net OPEB liability	$6,371,293	$4,745,899	$3,461,306
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	$3,297,247	$4,745,899	$6,652,494

12. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2018.

B. State Foundation Funding

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2018 are finalized. ODE has made adjustments based on attendance adjustments reported by the Academy totaling $771,309 which is included in intergovernmental receivable.

In addition, the Academy's contracts with its Sponsor and Management Company require payment based on revenues received from the State. Additional reconciliation necessary with these contracts has been reflected in the fiscal year 2018 financial statements

13. OPERATING LEASES

The Academy leases an office facility under an operating lease. The terms of this lease ended June 30, 2017 but were extended through June 30, 2020. Total lease payments were $165,900 for the year ended June 30, 2018. The future minimum lease payments, excluding taxes and common area operating expenses, for this lease are as follows:

	Total
Fiscal Year Ending June 30, 2019	$165,900
Fiscal Year Ending June 30, 2020	165,900
Total Minimum Lease Payments	$331,800

14. 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	$36,622,504
Property Services	7,328,625
Communications	518,352
Travel	467,990
Contracted Trade Services	15,350
Total	$44,952,821

15. TAX EXEMPT STATUS

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

16. MANAGEMENT AGREEMENT

The Academy entered into a ten-year contract, effective July 1, 2007 through June 30, 2017, with K12 Inc. for educational, administrative and technology services. The Academy entered into a new five-year contract with K12 effective July 1, 2017 through June 30, 2022. Per the management agreement, K12 Inc. is entitled to 12 percent of revenues as an administrative fee (management) and 7 percent of revenues as a technology fee. These fees are reduced to 11% and 6% when funded FTE reaches 10,000 and are reduced to 10% and 5% at 15,000 FTE. 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 Academy
- 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 Academy's curriculum
- Monitor and analyze data, as necessary
- Report on pupils' academic performance
- Seek and secure competitive pricing and discounts for Academy, as available
- Provide training to staff, parents, and students as deemed necessary
- Develop, design, publish and maintain the Academy's interactive website
- Supervise installation of Academy'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 Academy's technology needs
- Support administrators in troubleshooting system errors

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

As of June 30, 2018, payments to K12 Inc. totaled $44,717,063 with $5,905,372 still outstanding for all services as of June 30, 2018. The breakdown is as follows:

Service Type	Total
Web Based Software - Curriculum	$18,188,412
Instructional Materials Usage	8,923,713
Student Computers - Lease	7,914,205
Management	6,159,434
Technology Services Fee	3,522,346
Teacher Instructional Materials	8,953
Total	$44,717,063

17. K12 INC. MANAGEMENT COMPANY DISCLOSURE

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

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	$5,683,735	$ 0	$5,683,735
Employees' Benefits (200 object codes)	0	0	1,782,804	0	1,782,804
Professional and Technical Services (410 object codes)	0	0	2,224,099	0	2,224,099
Property Services (420 object codes)	0	0	80,654	0	80,654
Travel (430 object codes)	0	0	273,815	0	273,815
Communications (440 object codes)	0	0	3,279,609	0	3,279,609
Contracted Craft or Trade Services (460 object codes)	0	0	2,461,850	0	2,461,850
Other Purchased Services (490 object codes)	0	0	466,037	0	466,037
Books, Periodicals and Films (520, 530, 540 object codes)	3,625,216	611,070	0	0	4,236,286
Other Supplies (510, 550, 570, 580, 590 object codes)	0	0	30,678	0	30,678
Depreciation	0	0	0	5,835,617	5,835,617
Interest (820 object code)	0	0	0	531,409	531,409
Dues and Fees (object code 840)	0	0	1,365,514	0	1,365,514
Other Direct Costs (all other object codes)	0	0	1,806,688	0	1,806,688
Total Allocated Direct Expenses	3,625,216	611,070	19,455,483	6,367,026	30,058,795
Overhead	0	0	14,241,406	0	14,241,406
Total Direct Expenses and Overhead	$3,625,216	$611,070	$33,696,889	$6,367,026	$44,300,201

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

18. SPONSOR

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of ten academic years commencing on July 1, 2015. As part of this contract, the Sponsor is paid an oversight fee which is 1.5 percent of the total State Foundation funds received during the year. The total amount paid to the Sponsor for fiscal year 2018 was $1,073,458.

19. RESERVE FUND

The Academy and K12 Inc. agreed the Academy will maintain a $250,000 reserve ("Reserve Fund"). The Reserve Fund is defined as total net position at fiscal year-end, excluding invested in capital assets as stated in the audited financial statements, before the effects of GASB 68 and GASB 75. At the end of the year, if necessary based on the Academy's audited financial statements, K12 will issue Service Credits in an amount sufficient to satisfy the Reserve Fund requirement.

At the end of the next fiscal year, if the Academy has surplus funds that exceed the Reserve Fund, the Academy will repay a portion or all of the prior years' Service Credit depending on the amount of the surplus. If the Academy has no surplus or less than the amount credited prior, there is no further obligation owed on the unpaid amounts on the prior credits given.

For the year ended June 30, 2018 a Service Credit of $3,677,268 was issued.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.05054962%	0.05682862%	0.05577984%	0.06354201%	0.06354201%
Academy's Proportionate Share of the Net Pension Liability	$3,020,228	$4,159,331	$3,182,852	$3,215,825	$3,778,640
Academy's Covered Payroll	$1,694,796	$1,764,282	$1,669,297	$1,798,602	$1,576,507
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	178.21%	235.75%	190.67%	178.80%	239.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.12163885%	0.12905882%	0.14443579%	0.15752981%	0.15752981%
Academy's Proportionate Share of the Net Pension Liability	$28,895,570	$43,199,877	$39,917,828	$38,316,702	$45,642,604
Academy's Covered Payroll	$13,383,552	$13,540,364	$15,087,469	$15,481,520	$15,501,192
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	215.90%	319.05%	264.58%	247.50%	294.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually Required Contribution	$257,644	$237,271	$247,084	$221,327	$255,912
Contributions in Relation to the Contractually Required Contribution	($257,644)	($237,271)	($247,084)	($221,327)	($255,912)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$1,989,999	$1,694,796	$1,796,282	$1,669,297	$1,798,602
Contributions as a Percentage of Covered Payroll	12.95%	14.00%	14.00%	13.26%	14.23%

	2013	2012	2011	2010	2009
Contractually Required Contribution	$220,711	$195,015	$138,484	$71,429	$24,881
Contributions in Relation to the Contractually Required Contribution	($220,711)	($195,015)	($138,484)	($71,429)	($24,881)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$1,576,507	$1,417,868	$1,151,719	$628,352	$177,720
Contributions as a Percentage of Covered Payroll	14.00%	13.75%	12.02%	11.37%	14.00%

See accompanying notes to the required supplementary information.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually Required Contribution	$2,123,174	$1,872,178	$1,901,125	$2,109,724	$2,092,375
Contributions in Relation to the Contractually Required Contribution	($2,123,174)	($1,872,178)	($1,901,125)	($2,109,724)	($2,092,375)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$15,290,079	$13,383,552	$13,540,364	$15,087,469	$15,481,520
Contributions as a Percentage of Covered Payroll	13.89%	13.99%	14.00%	13.98%	13.52%

	2013	2012	2011	2010	2009
Contractually Required Contribution	$2,170,167	$1,762,815	$1,605,932	$1,230,055	$996,508
Contributions in Relation to the Contractually Required Contribution	($2,170,167)	($1,762,815)	($1,605,932)	($1,230,055)	($996,508)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$15,501,192	$12,739,963	$11,515,097	$9,473,754	$7,921,442
Contributions as a Percentage of Covered Payroll	14.00%	13.84%	13.95%	12.98%	12.58%

See accompanying notes to the required supplementary information.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

	2018	2017
Academy's Proportion of the Net OPEB Liability	0.04631158%	0.05227967%
Academy's Proportionate Share of the Net OPEB Liability	$1,242,881	$1,490,164
Academy's Covered-Employee Payroll	$1,989,999	$1,694,796
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	62.46%	87.93%
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 as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017
Academy's Proportion of the Net OPEB Liability	0.12163885%	0.12905882%
Academy's Proportionate Share of the Net OPEB Liability	$4,745,899	$6,902,099
Academy's Covered-Employee Payroll	$13,383,552	$13,540,364
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	35.46%	50.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

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

	2018	2017	2016	2015	2014
Contractually Required Contribution	$21,258	$2,184	$3,672	$15,084	$4,476
Contributions in Relation to the Contractually Required Contribution	($21,258)	($2,184)	($3,672)	($15,084)	($4,476)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$1,989,999	$1,694,796	$1,796,282	$1,669,297	$1,798,602
Contributions as a Percentage of Covered Payroll	1.07%	0.13%	0.20%	0.90%	0.25%

	2013	2012	2011	2010	2009
Contractually Required Contribution	$11,003	$50,493	$42,155	$19,861	$16,017
Contributions in Relation to the Contractually Required Contribution	($11,003)	($50,493)	($42,155)	($19,861)	($16,017)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$1,576,507	$1,417,868	$1,151,719	$628,352	$177,720
Contributions as a Percentage of Covered Payroll	0.70%	3.56%	3.66%	3.16%	9.01%

(1) Includes surcharge.

See accompanying notes to the required supplementary information.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually Required Contribution	$0	$0	$0	$0	$154,815
Contributions in Relation to the Contractually Required Contribution	($0)	($0)	($0)	($0)	($154,815)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$15,290,079	$13,383,552	$13,540,364	$15,087,469	$15,481,520
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%

	2013	2012	2011	2010	2009
Contractually Required Contribution	$155,012	$127,400	$115,151	$94,738	$79,214
Contributions in Relation to the Contractually Required Contribution	($155,012)	($127,400)	($115,151)	($94,738)	($79,214)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$15,501,192	$12,739,963	$11,515,097	$9,473,754	$7,921,442
Contributions as a Percentage of Covered Payroll	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

NOTE A – SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO - PENSION

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For the fiscal year 2018, 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.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date:

- 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.

NOTE B – STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO - PENSION

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, the COLA was reduced to zero, effective July 1, 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the 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.

NOTE C – SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO – OPEB

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

NOTE D – STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO – OPEB

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.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Disbursements
U.S. Department of Education				
Passed Through the Ohio Department of Education				
Title I Grants to Local Educational Agencies	84.010		$2,370,356	$2,830,429
Title I School Improvement Sub A	84.010		$30,121	$0
			$2,400,477	$2,830,429
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027		$1,726,421	$1,969,103
Special Education Preschool Grants	84.173		$1,691	$3,163
Total Special Education Cluster			$1,728,112	$1,972,266
English Language Acquisition Grants	84.365		$0	$221
Supporting Effective Instruction State Grants	84.367		$939,640	$1,090,135
School Improvement Grants	84.377		$0	$135,548
Student Support and Academic Enrichment	84.424		$31,160	$58,297
Hurricane Education Recovery	84.938		$0	$11,496
Total Federal Awards Receipts and Expenditures			$5,099,389	$6,098,392

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ohio Virtual Academy's (the Academy's) federal award programs' receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The schedule has been prepared on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Academy has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass Through Entity identifying numbers are presented where available.

Weber Clark
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INDEPENDENT AUDITOR'S 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

Board of Trustees
Ohio Virtual Academy
Lucas County
1690 Woodlands Drive Suite 200
Maumee, Ohio 43537

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 Ohio Virtual Academy, Lucas County ("Academy") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 28, 2019, in which we noted that the Academy adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

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Board of Trustees
Ohio Virtual Academy
Lucas County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weber Clark Ltd.

January 28, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Ohio Virtual Academy
Lucas County
1690 Woodlands Drive Suite 200
Maumee, Ohio 43537

Report on Compliance for Each Major Federal Program

We have audited the Ohio Virtual Academy, Lucas County's ("Academy"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2018. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Ohio Virtual Academy
Lucas County

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

January 28, 2019

OHIO VIRTUAL ACADEMY
LUCAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	____yes	X no
Significant deficiency(ies) identified?	____yes	X none reported
Noncompliance material to financial statements noted?	____yes	X no

Federal Awards

Internal Control over major federal programs:		
Material weakness(es) identified?	____yes	X no
Significant deficiency(ies) identified?	____yes	X none reported
Type of auditor's report issued on compliance for major federal programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____yes	X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster (IDEA):
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs:		$750,000
Auditee qualified as low risk auditee?	X Yes	____No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OHIO VIRTUAL ACADEMY
LUCAS COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NONE

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OHIO AUDITOR OF STATE
KEITH FABER

OHIO VIRTUAL ACADEMY

LUCAS 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
APRIL 2, 2019