BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Buckeye Preparatory Academy
Franklin County
Buckeye Community Hope Foundation, Sponsor
3021 E. Dublin-Granville Road
Columbus, Ohio 43231

To the Buckeye Preparatory Academy:

Report on the Financial Statements

We have audited the accompanying financial statements of the Buckeye Preparatory Academy, Franklin County, Ohio, (the School) as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Preparatory Academy, Franklin County, Ohio, as of June 30, 2019, and the change in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the School closed on June 30, 2019. 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 this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

June 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (UNAUDITED)

The discussion and analysis of the Buckeye Preparatory Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2018-2019 school year are as follows:

- Total assets increased by $307,819.
- Total liabilities decreased $98,127.
- Total net position decreased $493,057
- Total operating and non-operating revenues were $1,517,785. Total operating and non-operating expenses were $2,010,842.
- Total deferred outflows decreased $695,140 and total deferred inflows increased $203,863.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2019. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

Statement of Net Position **-** The Statement of Net Position answers the question of how the School did financially during 2019. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2019 and 2018.

Table 1
Statement of Net Position

	2019	2018
Assets		
Current Assets	$ 339,338	$ 120,828
Other Assets	114,400	12,500
Assets Held for Resale	3,145	15,736
Total Assets	456,883	149,064
Deferred Outflows of Resources	1,179,871	1,875,011
Liabilities		
Current Liabilities	985,040	533,289
Long-Term Liabilities	1,624,723	2,174,601
Total Liabilities	2,609,763	2,707,890
Deferred Inflows of Resources	595,542	391,679
Net Position		
Investment in Capital Assets	-	15,736
Unrestricted	(1,568,551)	(1,091,230)
Total Net Position	$ (1,568,551)	$ (1,075,494)

Current assets represent cash and cash equivalents, intergovernmental receivable, grants receivable and other receivable. Current liabilities represent accounts payable and accrued expenses.

Total assets increased $307,819, which represents a 200 percent increase from 2018. This was primarily due to increase in cash and grants receivables. Liabilities decreased $98,127 which represents a 4 percent decrease from 2018. The decrease in liabilities is due to a decrease in the net pension liability. Accounts payable increased $670,638 as payables due to the management company for services increased.

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

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB asset/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 asset/liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School's net position totaled $(1,568,551).

Statement of Revenues, Expenses and Change in Net Position **-** Table 2 shows the change in net position for fiscal year 2019 and 2018, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 2
Change in Net Position

	2019	2018
Operating Revenue		
State Aid	$ 1,149,532	$ 1,297,729
Intergovernmental Revenue	7,574	4,580
Total Operating Revenues	1,157,106	1,302,309
Non-Operating Revenues		
Federal Grants	353,159	336,897
Debt Forgiveness – Management	-	494,210
Other Revenues	7,520	6,800
Total Non-Operating Revenues	360,679	837,907
Total Revenues	1,517,785	2,140,216
Operating Expenses		
Purchased Services	1,229,090	1,535,146
Pension/OPEB Expense	331,512	(282,254)
Facility Costs	325,017	297,303
Materials and Supplies	76,235	101,982
Miscellaneous	23,296	13,401
Depreciation	12,591	17,715
Non-Operating Expenses		
Interest Expense/Discount Fees	13,101	36,537
Total Expenses	2,010,842	1,719,830
Change in Net Position	(493,057)	420,386
Net Position, Beginning of Year	(1,075,494)	(1,495,880)
Net Position, End of Year	$ (1,568,551)	$ (1,075,494)

Revenues decreased in 2019 by $622,431 due to a decrease in FTE in 2019 of 29 and due to the debt forgiveness recorded in 2018. Expenses increased in 2019 due to increases in pension expense of $613,766.

CAPITAL ASSETS

At fiscal year end, the School had no capital assets. The assets the School had were reclassed to assets held for resale due to the closure of the School. For more information on capital assets, see Note 5 of the Basic Financial Statements.

WORKING CAPITAL ADVANCES AND NOTES PAYABLE

During the fiscal year, the School received working capital monies from Charter School Capital through a receivables purchase agreement. As the School receives monthly State funding, these advances are repaid, however the School may elect to receive additional advances from Charter School Capital by entering into additional agreements. At June 30, 2019 the school had no outstanding advances to Charter School Capital

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2019, the State raised the base per pupil funding to $6,020, which is up from $6,010 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based.

The full-time equivalent enrollment of the School for the year ended June 30, 2019 was 139, which is a decrease in enrollment of 29 from 2018.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 219 E Maple St., Suite 202 North Canton, Ohio or e-mail at dave@massasolutionsllc.com.

THIS PAGE INTENTIONALLY LEFT BLANK

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET POSITION
AS JUNE 30, 2019

Assets	
Current Assets:	
	$
Cash and Cash Equivalents	208,220
Intergovernmental Receivable	1,217
Grants Receivable	107,038
Other Receivables	22,863
Total Current Assets	339,338
Noncurrent Assets:	
Other Assets	12,500
Net OPEB Asset	101,900
Assets Held for Resale	3,145
Total Noncurrent Assets	117,545
Total Assets	456,883
Deferred Outflows of Resources	
Pension	1,146,896
OPEB	32,975
Total Deferred Outflows of Resources	1,179,871
Liabilities	
Current Liabilities:	
Accounts Payable	977,454
Accrued Expense	7,586
Total Current Liabilities	985,040
Long Term Liabilities:	
Pension Liability	1,548,608
OPEB Liability	76,115
Total Long-Term Liabilities	1,624,723
Total Liabilities	2,609,763
Deferred Inflows of Resources	
Pension	374,819
OPEB	220,723
Total Deferred Inflows of Resources	595,542
Net Position	
Unrestricted	(1,568,551)
	$
Total Net Position	(1,568,551)

See accompanying notes to the basic financial statements

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Operating Revenues	
State Aid	$ 1,149,532
Intergovernmental Revenue	7,574
Total Operating Revenues	1,157,106
Operating Expenses	
Purchased Services	1,229,090
Pension/OPEB Expense	331,512
Facility Costs	325,017
Materials and Supplies	76,235
Miscellaneous	23,296
Depreciation	12,591
Total Operating Expenses	1,997,741
Operating Loss	(840,635)
Non-Operating Revenues (Expenses)	
Interest Expense/Discount Fees	(13,101)
Federal Grants	353,159
Other Revenues	7,520
Total Non-Operating Revenues (Expenses)	347,578
Change in Net Position	(493,057)
Net Position, Beginning of Year	(1,075,494)
Net Position, End of Year	$ (1,568,551)

See accompanying notes to the basic financial statements

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 1,143,216
Cash Received from Other Operating Sources	7,594
Cash Payments to Suppliers for Goods and Services	(1,054,285)
Net Cash Provided By Operating Activities	96,525
Cash Flows from Non-Capital Financing Activities	
Cash Received from Federal Grants	249,092
Cash Received from Other Revenues	7,500
Cash Advances Received	331,000
Interest Expense/Discount Fees	(13,101)
Repayment of Cash Advances	(490,600)
Cash Payments on Note	(4,492)
Net Cash Provided by Non-Capital Financing Activities	79,399
Net Increase in Cash and Cash Equivalents	175,924
Cash and Cash Equivalents, Beginning of Year	32,296
Cash and Cash Equivalents, End of Year	$ 208,220

(Continued)

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	$ (840,635)
Depreciation	12,591
Changes in Assets, Liabilities and Deferred Outflows and Inflows of Resources:	
Other Receivables	(20,932)
Intergovernmental Receivable	20,926
Net OPEB Asset	(101,900)
Pension/OPEB Liability	(549,878)
Deferred Outflows	695,140
Deferred Inflows	203,863
Accrued Expenses	13,002
Intergovernmental Payable	(6,290)
Accounts Payable	670,638
Net Cash Provided by Operating Activities	$ 96,525

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

The School contracted with Accel School Ohio, LLC, a Ohio limited liability company, for most of the School's day to day operations. (See Note 12).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting **-** The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The statement of Revenue, Expenses and changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

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

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

Cash and Cash Equivalents **-** Cash held by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2019.

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

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

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

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

As of June 30, 2019, the capital asset balance was $0. All capital assets were reclassified and reported as assets held for resale on the financial statements, due to the School's closure.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Under the above programs the School recorded $1,149,532 this fiscal year from the State Foundation Program and $353,159 from Federal Grants and $7,574 in casino revenues.

Accrued Liabilities and Long-term Obligations **-** Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of $977,454, accrued expenses of $7,586, and long-term pension and OPEB liability of $1,624,723 at June 30, 2019. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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

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

Operating Revenues and Expenses **-** Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position 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 until that time. For the School, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 9 and 10)

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

Implementation of New Accounting Principles **–** For the fiscal year ended June 30, 2019, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

Implementation of New Accounting Principles (continued)

GASB Statement No. 83 establishes criteria for determining timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School's fiscal year 2019 financial statements; however, there was no effect on beginning net position.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2019, the book amount of the School's deposits was $208,220 and the bank balance was $208,261.

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited Collateral pool of eligible securities deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2019, none of the bank balance was exposed to custodial credit risk.

NOTE 4 - RECEIVABLES

Intergovernmental Receivable **-** The School has intergovernmental receivables totaling $1,217 at June 30, 2019. These receivables represented monies due to the School from government sources, but not received as of June 30, 2019.

Grants Receivable **-** The School had grant receivable balances of federal grant monies totaling $107,038 at June 30, 2019.

Other Receivable **-** The School had other receivable balances totaling $22,863 at June 30, 2019 which represents excess SERS and STRS employer contributions.

NOTE 5 - CAPITAL ASSETS

For the period ending June 30, 2019, the School's capital assets consisted of the following:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Capital Assets:				
Computers	$ 46,948	$ -	$ (46,948)	$ -
Textbooks	24,784	-	(24,784)	-
Total Capital Assets	71,732	-	(71,732)	-
Less Accumulated Depreciation:				
Computers	(31,212)	(12,592)	43,804	-
Textbooks	(24,783)	-	24,783	-
Total Accumulated Depreciation	(55,996)	(12,592)	68,587	-
Capital Assets, Net	$ 15,736	$ (12,592)	$ (3,145)	$ -

NOTE 6 – CURRENT ADVANCES PAYABLE AND NOTE PAYABLE

The School received working capital advances from Charter School Capital through a receivables purchase agreement. As the School receives its monthly State funding, these advances are repaid, however the School may elect to receive future advances from Charter School Capital by entering into additional agreements. The School agreed to the purchase discount fee at the time of advancement. The fee is based on the current London Interbank Offered Rate ("LIBOR") or the cost of insuring against State of Ohio defaults on general obligation bonds through credit default swaps. During the year ended June 30, 2019, the discount fee ranged from 3.55% to 6.32% of requested advances. The School began the year with an outstanding balance of $159,600. During the school year, the School requested and received $331,000 in working capital advances. Of these amounts, $490,600 or the entire outstanding balance was paid back during the audit period leaving no advances outstanding at June 30, 2019. Furthermore, total purchase discount fees paid during the year-end June 30, 2019 was $13,082.

Additionally, the School entered into a note agreement with Midwest Education Group totaling $150,486 at June 30, 2015. The note has a 36-month repayment term beginning in August 2015 at interest rate of 5%, and is secured by the assets of the School. At June 30, 2019, the obligation had been paid in full. Interest expense totaled $18.72 during the year.

	Balance at 06/30/18	Additions	Deductions	Balance at 06/30/19
Charter School Capital	$159,600	$ 331,000	$(490,600)	$ -
Midwest Education Group	4,492	-	(4,492)	-
Total Advances/Note Payable	$164,092	$	$(164,092)	$ -

NOTE 7 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2019 were as follows:

	Restated Principal Outstanding 06/30/18	Additions	Deductions	Principal Outstanding 06/30/19
Net Pension Liability:				
STRS	$ 1,651,338	$ -	$ (257,009)	$ 1,394,329
SERS	173,257		(18,978)	154,279
Total Net Pension Liability	1,824,595		(275,987)	1,548,608
Net OPEB Liability/(Asset):				
STRS	271,220	-	(373,120)	(101,900)
SERS	78,786		(2,671)	76,115
Total Net OPEB Liability	350,006		(375,791)	(25,785)
Total Long-Term Obligations	$ 2,174,601	$	$ (651,778)	$ 1,522,823

NOTE 8 - RISK MANAGEMENT

Property & Liability **-** The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2019, the School contracted with the Markel Insurance Company for building and business personal property coverage. There was no significant reduction in insurance coverage from the prior year and claims have not exceed insurance coverage over the past three years.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS

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

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

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

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

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

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

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

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

The School's contractually required contribution to SERS was $8,359 for fiscal year 2019.

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 30 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.

State Teachers Retirement System (STRS) (continued)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions are to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $74,443 for fiscal year 2019.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.00289980%	0.00695147%	
Proportion of the Net Pension Liability Current Measurement Date	0.00269380%	0.00634139%	
Change in Proportionate Share	-0.00020600%	-0.00061008%	
Proportionate Share of the Net Pension Liability	$ 154,279	$ 1,394,329	$ 1,548,608
Pension Expense	$ 50,478	$ 499,551	$ 550,029

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

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

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

At June 30, 2019, the School 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	$ 8,461	$ 32,184	$ 40,645
Changes of assumptions	3,483	247,102	250,585
Changes in proportion and differences between contributions and proportionate share of contributions	42,466	730,398	772,864
School contributions subsequent to the measurement date	8,359	74,443	82,802
Total Deferred Outflows of Resources	$ 62,769	$ 1,084,127	$ 1,146,896
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 9,106	$ 9,106
Net difference between projected and actual earnings on pension plan investment	4,276	84,551	88,827
Changes in proportion and differences between contributions and proportionate share of contributions	12,210	264,676	276,886
Total Deferred Inflows of Resources	$ 16,486	$ 358,333	$ 374,819

$82,802 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 27,187	$ 487,879	$ 515,066
2021	17,111	276,701	293,812
2022	(5,063)	(72,426)	(77,489)
2023	(1,311)	(40,803)	(42,114)
Total	$ 37,924	$ 651,351	$ 689,275

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

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

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

Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, 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	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

The mortality rates were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The 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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investment was applied to all periods of projected benefits to determine the total net pension liability.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$ 217,313	$ 154,279	$ 101,429

Actuarial Assumptions – STRS **–** Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 208, actuarial valuation,

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	0.00 percent

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.

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 %	

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS (continued)

****** 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS 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, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	$ 2,036,234	$ 1,394,329	$ 851,044

NOTE 10 – DEFINED BENEFIT OPEB PLANS

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

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 and net OPEB asset. Resulting adjustments to the net OPEB liability net OPEB asset 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 *accrued expense* on the accrual basis of accounting.

School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS 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 2019, .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 2019, this amount was $21,600. 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 2019, the School's surcharge obligation was $1,175.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $1,485 for fiscal year 2019.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability and net OPEB asset were measured as of June 30, 2018, and the total OPEB liability and asset used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability and net OPEB asset was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.00293570%	0.00695146%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	0.00274358%	0.00634139%	
Change in Proportionate Share	-0.00019212%	-0.00061007%	
Proportionate Share of the Net OPEB			
Liability/(asset)	$ 76,115	$ (101,900)	$ (25,785)
OPEB Expense	$ 12,330	$ (230,847)	$ (218,517)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

***OPEB Liabilities, OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* (continued)**

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,242	$ 11,903	$ 13,145
Changes in proportion and differences between contributions and proportionate share of contributions	18,345	-	18,345
School contributions subsequent to the measurement date	1,485	-	1,485
Total Deferred Outflows of Resources	$ 21,072	$ 11,903	$ 32,975
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 5,937	$ 5,937
Changes of assumptions	6,838	138,846	145,684
Net difference between projected and actual earnings on OPEB plan investments	113	11,641	11,754
Changes in proportion and differences between contributions and proportionate share of contributions	4,590	52,758	57,348
Total Deferred Inflows of Resources	$ 11,541	$ 209,182	$ 220,723

$1,485 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

***OPEB Liabilities, OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* (continued)**

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 6,792	$ (35,703)	$ (28,911)
2021	4,900	(35,703)	(30,803)
2022	(1,097)	(35,702)	(36,799)
2023	(2,248)	(40,309)	(42,557)
2024	(210)	(28,502)	(28,712)
Thereafter	(91)	(21,360)	(21,451)
Total	$ 8,046	$ (197,279)	$ (189,233)

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.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, 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 investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School's proportionate share of the net OPEB liability	$ 92,359	$ 76,115	$ 63,252

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School's proportionate share of the net OPEB liability	$ 61,410	$ 76,115	$ 95,585

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends		
Medical		
Pre-Medicare	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medicare	8.00 percent	
Medicare	-5.23 percent	4.00 percent

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

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 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 Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	$ 87,338	$ 101,900	$ 114,138

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	$ 113,448	$ 101,900	$ 90,172

NOTE 11 - CONTINGENCIES

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

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

School Foundation **-** School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 have been finalized and ODE owed the School $1,185.

NOTE 12 - SPONSOR AND MANAGEMENT CONTRACTS

Sponsor **-** The School contracted with Buckeye Community Hope Foundation as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2019, the total sponsorship fees paid totaled $33,661.

Management Company **-** The School entered into an agreement with Accel Schools Ohio LLC, a local nonprofit management company, to provide management and day-to-day operational functions for fiscal year 2019. The agreement was for a period of five years beginning May 15, 2014. Management fees are calculated as 18% of the total qualified gross revenues. The total amount paid by the School for the fiscal year ending June 30, 2019 was $202,050 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position. See detail of Purchased Service in Note 14.

As part of the agreement the School also reimburses Accel Schools for the salaries and benefits of the employees. The amount paid by the School to Cambridge/ Accel Schools for salaries and benefits was $550,895 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Change in Net Position. See detail of Purchased Services in Note 14.

NOTE 13 – MANAGEMENT COMPANY EXPENSES

As of June 30, 2019, Accel Schools Ohio LLC and its affiliates incurred the following expenses on behalf of the School:

	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Total
Direct Expenses:				
Salaries & Wages (100 Object Codes)	$ 321,378	$ 43,247	$ 126,870	$ 491,495
Employees' Benefits (200 Object Codes)	72,880	1,890	23,349	98,119
Professional & Technical Services (410 Object Codes)			134,950	134,950
Supplies (510 Object Codes)	4,591		14,285	18,875
Other Direct Costs (All Other Object Codes)			3,103	3,103
Total Direct Expenses	398,848	45,137	302,557	746,543
Indirect Expenses:				
Overhead			118,477	118,477
Total Expenses	**$ 398,848**	**$ 45,137**	**$ 421,034**	**$ 865,019**

Accel charges overhead expenses benefiting more than one school on a pro-rated basis based on full time equivalents (FTE) headcount as of June 30, 2019 for each school it manages.

NOTE 14 - PURCHASED SERVICES

For the period of July 1, 2018 through June 30, 2019, the School made the following purchased services commitments.

Salaries and Wages and Benefits	$	550,895
Professional and Technical Services		575,523
Food Service		88,485
Other Direct Costs		14,187
Total Purchased Services	$	1,229,090

NOTE 15 - LEASE OBLIGATIONS

The school entered into a sublease agreement with Kent School LLC (a subsidiary of the Sponsor, Buckeye Community Hope Foundation), for the current school premises. The lease term is from July 1, 2014 through June 30, 2019. The base rent is $150,000 per year. There is a provision in the lease that provides furniture, fixtures, and equipment to the School for an additional $12,000 per year payable monthly. During 2019, the school paid rent totaling $160,000.

NOTE 16 - FISCAL DISTRESS

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2019 was $208,220. Additionally, the School has significant liabilities at June 30, 2019 which has resulted in a deficit net position of ($1,568,551).

NOTE 17 – SCHOOL CLOSURE

On November 9, 2018, Buckeye Community Hope Foundation, the Sponsor, provided notice to the School of its decision to non-renew their sponsorship contract with the School which expires on June 30, 2019. On March 25, 2019, the Board approved a resolution to cease operations at the end of the 2018-2019 fiscal year. The School disposed of its assets and the bank accounts will be closed and any remaining cash after the School's final expenses and payables have been paid will be paid back to the ODE. The School has followed closeout procedures prescribed by the Ohio Department of Education (ODE), regarding official notices to ODE, retirement systems, students, staff and the community. Disposition of student records and property owned by the School have also been in accord with ODE requirements.

NOTE 17 – SCHOOL CLOSURE (continued)

The following is a schedule of all receipts and expenditure transactions which occurred subsequent to June 30, 2019:

Date	Trans Description	Receipts	Expenses	Balance
7/1/2019	Balance			$208,220.00
7/1/2019	Blue Technologies Inc. (voided)	$ 41.04	$ 159.66	
7/5/2019	Columbia Gas of Ohio		$ 1,344.37	
7/11/2019	American Electric Power		$ 6,940.32	
7/15/2019	STRS		$ 390.07	
7/31/2019	SERS		$ 104.50	
7/31/2019	July bank fees		$ 360.49	
7/31/2019	Rumpke		$ 134.90	
8/8/2019	Columbia Gas of Ohio		$ 779.00	
8/27/2019	Columbus Zoo refund	$ 105.00		
8/29/2019	SERS		$ 1,921.28	
8/30/2019	August casino funds	$ 3,661.35		
8/31/2019	August bank fees		$ 56.00	
9/18/2019	Rea & Associates		$ 1,080.00	
9/26/2019	Franklin County Clerk of Courts		$ 225.00	
9/26/2019	Ohio Secretary of State		$ 50.00	
9/30/2019	Septembe bank fees		$ 77.50	
10/23/2019	FY19 FTE adjustment #1	$ 1,216.30		
10/31/2019	October bank fees		$ 45.00	
11/1/2019	Remote Receipt Capture	$ 20,125.25		
11/30/2019	November bank fees		$ 57.50	
12/17/2019	AEP utility deposit refund	$ 1,090.89		
12/20/2019	Final federal grant receipt	$107,037.84		
12/31/2019	December bank fees		$ 45.00	
1/31/2020	January bank fees		$ 57.50	
2/4/2020	FY19 FTE adjustment #2		$ 31.59	
6/3/2020	Balance			$327,638.00

As of the report date, the School has a remaining cash balance of $327,638, which will be used to liquidate any outstanding liabilities, with an excess being returned to the Ohio Department of Education. The School has also liquidated all capital assets as of the report date.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017	2016
School's Proportion of Net Pension Liability	0.0026938%	0.0028998%	0.0015368%	0.0020196%
School's Proprotionate Share of the Net Pension Liability	$ 154,279	$ 173,257	$ 112,480	$ 115,240
School's Covered Payroll	$ 86,644	$ 91,644	$ 47,729	$ 64,583
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%

(1) Information prior to 2016 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as is becomes available.

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

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

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017	2016
School's Proportion of Net Pension Liability	0.0063414%	0.0069515%	0.0079388%	0.0030081%
School's Proprotionate Share of the Net Pension Liability	$ 1,394,329	$ 1,651,338	$ 2,657,352	$ 831,351
School's Covered Payroll	$ 720,979	$ 765,807	$ 816,864	$ 269,007
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	77.31%	75.29%	66.80%	72.01%

(1) Information prior to 2016 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as is becomes available.

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

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

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017	2016	2015
Contractually Required Contributions	$ 8,359	$ 11,697	$ 12,833	$ 6,682	$ 8,512
Contributions in Relation to the					
Contractually Required Contribution	$ (8,359)	$ (11,697)	$ (12,833)	$ (6,682)	$ (8,512)
Contrbution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of					
Covered Payroll	N/A	N/A	N/A	N/A	N/A

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as is becomes available.

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017	2016	2015
Contractually Required Contributions	$ 74,443	$ 100,937	$ 107,213	$ 114,361	$ 37,661
Contributions in Relation to the					
Contractually Required Contribution	$ (74,443)	$ (100,937)	$ (107,213)	$ (114,361)	$ (37,661)
Contrbution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of					
Covered Payroll	N/A	N/A	N/A	N/A	N/A

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as is becomes available.

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.0027436%	0.0029357%	0.0015607%
School's Proportionate Share of the Net OPEB Liability	$ 76,115	$ 78,786	$ 44,487
School's Covered Payroll	$ 86,644	$ 91,664	$ 47,729
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A
Plan Fiduciary Net Postion as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as is becomes available.

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

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

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.0063414%	0.0069515%	0.0077635%
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (101,900)	$ 271,220	$ 415,912
School's Covered Payroll	$ 720,979	$ 765,807	$ 816,864
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A
Plan Fiduciary Net Postion as a Percentage of the Total OPEB Liability	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as is becomes available.

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

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

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL CONTRIBUTIONS – OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FIVE FISCAL YEARS (2)

	2019	2018	2017	2016	2015
Contractually Required Contributions (1)	$ 1,485	$ 1,963	$ 1,909	$ 804	$ 499
Contributions in Relation to the Contractually Required Contribution	$ (1,485)	$ (1,963)	$ (1,909)	$ (804)	$ (499)
Contrbution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll (1)	N/A	N/A	N/A	N/A	N/A

(1) Includes Surcharge

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

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

See accompanying notes to the required supplementary information.

BUCKEYE PREPARATORY ACADEMY
FRANKLIN COUNTY

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

	2019	2018	2017	2016	2015
Contractually Required Contributions (1)	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -
Contrbution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll (1)	N/A	N/A	N/A	N/A	N/A

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

N/A – The School is staffed by employees of a non-governmental management company. The School is considered the non-employer contributing entity.

See accompanying notes to the required supplementary information.

NET PENSION LIABILITY

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes of benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2019. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

NET OPEB LIABILITY

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 and 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
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 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent
Medicare Trend Assumption	
Medicare	
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent
Pre - Medicare	
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent and in fiscal year 2019 the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 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.

Changes in Benefit Terms – STRS

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, and increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Buckeye Preparatory Academy
Franklin County
Buckeye Community Hope Foundation, Sponsor
3021 E. Dublin-Granville Road
Columbus, Ohio 43231

To the Buckeye Preparatory Academy:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Buckeye Preparatory Academy, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated June 3, 2020, wherein we noted the School closed on June 30, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

June 3, 2020

SCHEDULE OF FINDINGS
JUNE 30, 2019

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

FINDING NUMBER 2019-001

Financial Statement Presentation
Material Weakness

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

The School did not record all cash advance activity during fiscal year 2019 as non-capital financing activities on the Statement of Cash Flows. As a result, an adjustment was required to increase cash advances received by $331,000 and increase repayment of cash advances by $331,000.

The School has recorded these adjustments to the financial statements and accounting records. Additionally, we identified one unrecorded accounts payable which was reported to management as an unadjusted difference.

By not ensuring proper financial statement presentation, the School cannot report accurate financial activity to its constituents.

We recommend the School implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

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

This page intentionally left blank.

BUCKEYE PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 30, 2020

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