

Eagle Academy  
Lucas County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2017





# Dave Yost • Auditor of State

Board of Directors  
Eagle Academy  
1430 Idaho Street  
Toledo, Ohio 43605

We have reviewed the *Independent Auditor's Report* of the Eagle Academy, Lucas County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 13, 2018

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**Eagle Academy**  
**Lucas County, Ohio**  
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*June 30, 2017*

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January 30, 2018

To the Board of Directors  
Eagle Academy  
Lucas County, Ohio  
1430 Idaho St.  
Toledo, Oh 43605

## **Independent Auditor's Report**

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

***Opinion***

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

***Emphasis of a Matter***

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. The Academy has suffered recurring losses from operations and has a net position deficiency of \$4,511,528 that raises substantial doubt about its ability to continue as a going concern. This deficiency of net position includes the effect of the net pension liability and related accruals totaling \$4,333,455. Management's plans in regard to these matters are described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Academy's Proportionate Share of the Net Pension Liability, and the Schedule of Academy Contributions on pages 4-8, 37, and 38-39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

Lima, Ohio

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

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

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- Total net position was (\$4,511,528).
- Total assets were \$175,270.
- Deferred outflows of resources were \$435,587.
- Total liabilities were \$3,099,444.
- Deferred inflows of resources were \$2,022,941.

**Using this Annual Report**

This report consists of three parts, the basic financial statements, the notes to those statements, and the required supplementary 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.

**Eagle Academy Financial Activities**

**Statement of Net Position; Statement of Revenue, Expenses, and Change in Net Position; and the Statement of Cash Flows**

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position answer this question. These statements include all assets, liabilities, deferred outflows and inflows of resources, revenues and expenses, both financial and capital, short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report. The Statement of Cash Flows can be found on pages 11-12.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-36 of this report.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

**Statement of Net Position**

Table 1 provides a summary of the Academy's net position for fiscal years 2017 and 2016:

**TABLE 1**

	June 30	
	2017	2016
<b>Assets</b>		
Current assets	\$ 127,535	\$ 101,949
Capital assets - net	37,735	83,022
Other noncurrent assets	10,000	10,000
	<u>175,270</u>	<u>194,971</u>
<b>Deferred Outflows of Resources</b>		
Pension	435,587	249,361
	<u>435,587</u>	<u>249,361</u>
<b>Liabilities</b>		
Current liabilities	353,343	232,540
Noncurrent liabilities		
Due in more than one year		
Net pension liability	2,746,101	2,593,372
	<u>3,099,444</u>	<u>2,825,912</u>
<b>Deferred Inflows of Resources</b>		
Pension	2,022,941	2,542,302
	<u>2,022,941</u>	<u>2,542,302</u>
<b>Net Position</b>		
Investment in capital assets	37,735	83,022
Unrestricted	(4,549,263)	(5,006,904)
	<u>\$(4,511,528)</u>	<u>\$(4,923,882)</u>

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

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**Statement of Net Position (continued)**

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

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

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

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

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

Total net position for the Academy increased \$412,354. Cash increased \$3,084. Intergovernmental receivable increase of \$44,188 is attributable to a full-time equivalency (FTE) adjustment resulting in an increase in foundation due from the Ohio Department of Education. Accounts receivable decrease of \$26,069 is mostly due to reduction in level of eRate rebate accruals. The decrease in net capital assets is due strictly to depreciation. Current liabilities increase of \$120,803 is primarily due to increases in payroll and management fees not yet remitted to the management company.

In 2017, the net pension liability increased \$152,729, which represents a 6% increase over 2016. This increase, along with the increase of \$186,226 in deferred outflows and the \$519,361 decrease in deferred inflows, is the result of changes in related accruals associated with GASB 68. These accounts represent changes in expected and actual experience, projected and actual earnings on investments, changes in assumptions, and change in proportion. See Note 8 for further information.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

**Change in Net Position**

Table 2 shows the changes in net position for fiscal years 2017 and 2016, as well as a listing of revenues and expenses.

**TABLE 2**

	June 30	
	2017	2016*
<b>Operating Revenues</b>		
Foundation payments	\$ 1,217,758	\$ 1,807,515
Other revenues	33,037	112,456
<b>Nonoperating Revenues</b>		
Federal grants	394,642	521,971
State grants	9,406	13,487
Contributions and donations	1,500	-
Total revenue	1,656,343	2,455,429
<b>Operating Expenses</b>		
Purchased services	1,076,847	2,043,265
Materials and supplies	72,214	98,565
Depreciation	45,287	70,446
Other expenses	44,198	59,878
<b>Nonoperating Expenses</b>		
Interest and fiscal charges	5,443	6,479
Total expenses	1,243,989	2,278,633
Increase in net position	\$ 412,354	\$ 176,796
Net position beginning of year	(4,923,882)	(5,100,678)
Net position end of year	\$(4,511,528)	\$(4,923,882)

\*2016 was adjusted to account for a change in revenue classifications.

Net position increased \$412,354. Decreases in purchased services of \$966,418 are attributable to decreased staffing related to student counts as well as adjustments to pension expense related to changes in net pension liability and deferrals. Other decreases in Foundation payments, Federal grants, purchased services, and materials and supplies are due to decreased enrollment in 2017. There were no capital asset additions in 2017, and more assets remained active beyond their assigned useful lives, resulting in lower depreciation expense.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

**Capital Assets**

At the end of fiscal year 2017, the Academy had \$37,735 invested in furniture, EDP equipment and software, non-EDP equipment, and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2017 and 2016.

<b>TABLE 3</b>	<b><u>Net Capital Assets</u></b>	
	June 30	
	2017	2016
Leasehold improvements	\$ -	\$ 1,514
Furniture	19,296	31,696
EDP equipment and software	12,573	39,414
Non-EDP equipment	5,866	10,398
Total capital assets	\$ 37,735	\$ 83,022

For more information on capital assets, see Note 6 to the basic financial statements.

**Debt**

During fiscal year 2017, a \$320,000 loan was issued to the Academy by RBS Citizens, NA, for operation of the Academy. In addition, The Leona Group extended a short-term, unsecured loan of \$64,000 to the Academy to alleviate cash flow deficiencies. Both loans were retired during the year. See Note 13 for further information.

**Current Financial Issues**

Eagle Academy was formed in 2001 under a contract with the Ohio Council of Community Schools. During the 2016-2017 school year there were 136 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2017 amounted to \$1,217,758.

**Contacting the Academy's Financial Management**

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact:

Melinda Benkovsky  
 Director of Budget and Finance  
 The Leona Group, LLC  
 2125 University Park Drive, Okemos, MI 48864  
 melinda.benkovsky@leonagroup.com

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Statement of Net Position*  
*June 30, 2017*

**Assets**

**Current Assets**

Cash and cash equivalents	\$	5,242
Accounts receivable		5,138
Intergovernmental receivables		98,680
Prepaid items		18,475
<b>Total Current Assets</b>		127,535

**Noncurrent Assets**

Security deposit		10,000
Depreciable capital assets, net		37,735
<b>Total Noncurrent Assets</b>		47,735

**Total Assets**

175,270

**Deferred Outflows of Resources**

Pension		435,587
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**Total Deferred Outflows of Resources**

435,587

**Liabilities**

**Current Liabilities**

Accounts payable		19,497
Accounts payable - related party		54,812
Intergovernmental payable		9,385
Contracts payable		269,649
<b>Total Current Liabilities</b>		353,343

**Noncurrent Liabilities**

Due in more than one year:		
Net pension liability		2,746,101
<b>Total Noncurrent Liabilities</b>		2,746,101

**Total Liabilities**

3,099,444

**Deferred Inflows of Resources**

Pension		2,022,941
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**Total Deferred Inflows of Resources**

2,022,941

**Net Position**

Investment in capital assets		37,735
Unrestricted (deficit)		(4,549,263)

**Total Net Position**

\$ (4,511,528)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Statement of Revenues, Expenses, and Change in Net Position*  
*For the Fiscal Year Ended June 30, 2017*

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<b><i>Operating Revenues</i></b>	
Foundation payments	\$ 1,217,758
Other revenues	<u>33,037</u>
<b><i>Total Operating Revenues</i></b>	<u>1,250,795</u>
<b><i>Operating Expenses</i></b>	
Purchased services (note 11)	1,076,847
Materials and supplies	72,214
Depreciation	45,287
Other	<u>44,198</u>
<b><i>Total Operating Expenses</i></b>	<u>1,238,546</u>
<b><i>Operating Income</i></b>	<u>12,249</u>
<b><i>Non-Operating Revenues and Expenses</i></b>	
Federal grants	394,642
State grants	9,406
Contributions and donations	1,500
Interest and fiscal charges	<u>(5,443)</u>
<b><i>Total Non-Operating Revenues and Expenses</i></b>	<u>400,105</u>
<b><i>Change in Net Position</i></b>	412,354
<b><i>Net Position Beginning of Year</i></b>	<u>(4,923,882)</u>
<b><i>Net Position End of Year</i></b>	<u><u>\$ (4,511,528)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2017*

**Increase in Cash and Cash Equivalents:**

***Cash Flows from Operating Activities***

Cash received from State of Ohio	\$ 1,167,839
Cash received from other operating revenues	46,231
Cash payments to suppliers for goods and services	<u>(1,603,385)</u>

<b><i>Net Cash Used for Operating Activities</i></b>	<u>(389,315)</u>
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***Cash Flows from Noncapital Financing Activities***

Federal grants received	379,165
State grants received	10,890
Contributions and donations	7,787
Proceeds of short term loans	64,000
Repayment of short term loans	(64,000)
Proceeds from notes	320,000
Repayment of notes	(320,000)
Interest payments	<u>(5,443)</u>

<b><i>Net Cash Provided by Noncapital Financing Activities</i></b>	<u>392,399</u>
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<b><i>Net Increase in Cash and Cash Equivalents</i></b>	3,084
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<b><i>Cash and Cash Equivalents at Beginning of Year</i></b>	<u>2,158</u>
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<b><i>Cash and Cash Equivalents at End of Year</i></b>	<u><u>\$ 5,242</u></u>
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(Continued)

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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**Reconciliation of Operating Income to Net  
Cash Used by Operating Activities:**

Operating income	\$	12,249
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**Adjustments to Reconcile Operating Income to  
Net Cash Used by Operating Activities**

Depreciation		45,287
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Changes in assets and liabilities:

Decrease in accounts receivable		19,782
Increase in intergovernmental receivable		(46,343)
Increase in prepaid items		(4,384)
Increase in deferred outflows		(186,226)
Decrease in accounts payable		(32,150)
Increase in contracts payable		218,809
Decrease in accrued wages and benefits		(42,220)
Decrease in intergovernmental payable		(7,487)
Increase in net pension liability		152,729
Decrease in deferred inflows		(519,361)

<b>Total Adjustments</b>		<b>(401,564)</b>
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<b>Net Cash Used by Operating Activities</b>	<b>\$</b>	<b>(389,315)</b>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE ACADEMY**  
**Lucas County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Eagle Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere in which students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy entered into a contract with Buckeye Community Hope Foundation (the "Sponsor") to sponsor the Academy for a one-year term beginning July 1, 2016 and ending June 30, 2016, which has been extended for a two-year term beginning July 1, 2016 and ending June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to Buckeye Community Hope Foundation (the sponsor) for the fiscal year ended June 30, 2017 totaled \$35,315.

The Academy operates under the direction of a six-member board of directors, which is also the governing board for another The Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by six non-certificated personnel and twenty-five certificated teachers who provide services to 136 students.

The board of directors has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its school. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 14).

The State of Ohio requires that the financial activities of all community schools are overseen by a licensed fiscal officer. Effective January 1, 2017, the fiscal officer is employed by the board of directors and is not affiliated with TLG.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With 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 revenues, expenses and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. 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, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

**E. Cash and Cash Equivalents**

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position and is maintained in a demand account. The Academy had no investments during the fiscal year ended June 30, 2017.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date donated. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Depreciation is computed using the straight-line method. A summary of capital asset activity can be found in Note 6. Cost thresholds and useful lives are as follows:

**Capitalization and Depreciation Policy**

<u>Category</u>	<u>Cost Threshold</u>	<u>Useful Life</u>
Leasehold improvements	Professional judgement not less than \$25,000	Life of lease
Furniture and non-EDP equipment	Individual item - \$4,000	5 years
EDP equipment and software		3 years

**G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position 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) until then. For the Academy, deferred outflows of resources consist of pension. The deferred outflows of resources related to pension are reported on the statement of net position (See Note 8).

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 Academy, deferred inflows of resources consist of pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 8).

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Pension**

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

**K. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES**

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

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

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

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

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

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**4. DEPOSITS**

At June 30, 2017, the carrying value of all deposits was \$4,942. The Academy also has petty cash of \$300. The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy.

The Academy's cash is not subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance at June 30, 2017 of \$10,023 was fully insured by the Federal Deposit Insurance Corporation.

**5. RECEIVABLES**

Receivables at June 30, 2017 consisted of intergovernmental receivables and eRate rebates. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

<b>Receivables</b>	
<u>Source</u>	<u>June 30, 2017</u>
Intergovernmental receivable:	
Title I	\$ 21,902
Title IIA	10,611
IDEA	10,729
SERS refund	8,969
Medicaid	1,113
ODE final adjustment	41,682
Casino tax revenue	<u>3,674</u>
Total intergovernmental receivable	<u>\$ 98,680</u>
Accounts receivable:	
eRate rebates	<u>\$ 5,138</u>
Total accounts receivable	<u>\$ 5,138</u>

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**6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

<u>Category</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets being depreciated:				
Furniture	\$ 86,856	\$ -	\$ -	\$ 86,856
EDP equipment and software	243,737	-	-	243,737
Non-EDP equipment	27,207	-	-	27,207
Leasehold improvements	<u>70,204</u>	<u>-</u>	<u>-</u>	<u>70,204</u>
Total depreciable capital assets	428,004	-	-	428,004
Less accumulated depreciation:				
Furniture	(55,160)	(12,400)	-	(67,560)
EDP equipment and software	(204,323)	(26,841)	-	(231,164)
Non-EDP equipment	(16,809)	(4,532)	-	(21,341)
Leasehold improvements	<u>(68,690)</u>	<u>(1,514)</u>	<u>-</u>	<u>(70,204)</u>
Total accumulated depreciation	<u>(344,982)</u>	<u>(45,287)</u>	<u>-</u>	<u>(390,269)</u>
Total depreciable capital assets - net	<u>\$ 83,022</u>	<u>\$ (45,287)</u>	<u>\$ -</u>	<u>\$ 37,735</u>



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**7. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

**Insurance Coverages**

<u>Type</u>	<u>Limits</u>
Educational Errors and Omissions	
D&O Liability and Employment Practices	\$1,000,000
Student Sports	500,000
Cyber Crime	2,000,000
Student Foreign Travel	1,000,000
Aggregate, All Parts	2,000,000
General Liability	
General Aggregate	2,000,000
Per Occurrence	1,000,000
Auto Liability Combined Single Limit	1,000,000
Abuse/Molestation	1,000,000
Umbrella	15,000,000
Property	
Building	2,938,204
Personal Property	300,000
Business Income	150,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Any changes in coverage from the previous year are due to converting all TLG-managed academies to one policy with common limits, except for property and business income.

**B. Workers' Compensation**

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

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**8. DEFINED BENEFIT PENSION PLANS**

**A. Net Pension Liability**

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

**B. Plan Description - School Employees Retirement System (SERS)**

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

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**8. DEFINED BENEFIT PENSION PLANS (continued)**

**B. Plan Description - School Employees Retirement System (SERS) (continued)**

Age and service requirements for retirement are as follows:

<u>Benefits</u>	<u>Eligible to Retire on or before August 1, 2017*</u>	<u>Eligible to Retire On or After August 1, 2017</u>
Full	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	Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit, or Age 60 with 25 years of service credit

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

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

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

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

The Academy's contractually required contribution to SERS was \$14,479 for fiscal year 2017. The full amount has been contributed for fiscal year 2017.

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**8. DEFINED BENEFIT PENSION PLANS (continued)**

**C. Plan Description - State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 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 employer and member contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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.

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*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**C. Plan Description - State Teachers Retirement System (STRS) (continued)**

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

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

The Academy's contractually required contribution to STRS was \$66,327 for fiscal year 2017. The full amount has been contributed for fiscal year 2017.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 402,762	\$ 2,343,339	\$ 2,746,101
Proportion of the net liability:			
Current measurement date	0.00550290%	0.00700068%	
Prior measurement date	0.00660590%	0.00801978%	
Change in proportionate share	(0.00110300%)	(0.00101910%)	
Pension expense	\$ (137,313)	\$ (334,739)	\$ (472,052)

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 Academy'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.

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**8. DEFINED BENEFIT PENSION PLANS (continued)**

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

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 5,432	\$ 94,682	\$ 100,114
Net difference between projected and actual earnings on pension plan investments	33,222	194,559	227,781
Changes of assumptions	26,886	-	26,886
Academy contributions subsequent to the measurement date	14,479	66,327	80,806
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred outflows of resources	<u>\$ 80,019</u>	<u>\$ 355,568</u>	<u>\$ 435,587</u>
<b>Deferred Inflows of Resources</b>			
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>\$ 401,208</u>	<u>\$ 1,621,733</u>	<u>\$ 2,022,941</u>
Total deferred inflows of resources	<u>\$ 401,208</u>	<u>\$ 1,621,733</u>	<u>\$ 2,022,941</u>

\$80,806 reported as deferred outflows of resources related to pension resulting from the Academy's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Amortization of Deferred Outflows and Deferred Inflows**

<u>Fiscal Year Ending June 30:</u>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ (162,711)	\$ (460,438)	\$ (623,149)
2019	(162,738)	(460,438)	(623,176)
2020	(19,769)	(385,778)	(405,547)
2021	9,550	(25,838)	(16,288)
	<u>          </u>	<u>          </u>	<u>          </u>
Total to be amortized	<u>\$ (335,668)</u>	<u>\$ (1,332,492)</u>	<u>\$ (1,668,160)</u>

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*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**E. Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

**Calculating Total Pension Liability - SERS**

<u>Method</u>	<u>Assumption</u>
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal (Level Percent of Payroll)
Actuarial assumptions experience study date	5 year period ended June 30, 2015*
Investment rate of return	7.50 percent net of investments expense, including inflation
COLA or ad hoc COLA	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Wage inflation	3.00 percent

\* The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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**8. DEFINED BENEFIT PENSION PLANS (continued)**

**E. Actuarial Assumptions – SERS (continued)**

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Real Rates of Return - SERS**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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 strategy	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

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



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**8. DEFINED BENEFIT PENSION PLANS (continued)**

**E. Actuarial Assumptions – SERS (continued)**

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

**Sensitivity to Changes in Discount Rate - SERS**

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Academy’s proportionate share of the net pension liability	\$ 533,231	\$ 402,762	\$ 293,553

**F. Actuarial Assumptions - STRS**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

**Calculating Total Pension Liability - STRS**

<b><u>Method</u></b>	<b><u>Assumption</u></b>
Valuation date	June 30, 2016
Actuarial assumptions experience study date	July 1, 2012
Investment rate of return	7.75 percent, net of investment expenses, including inflation
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Inflation	2.75 percent
Mortality assumptions	Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022–ScaleAA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

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*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**F. Actuarial Assumptions – STRS (continued)**

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**Real Rates of Return - STRS**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
 Total	 <u><u>100.00</u></u> %	

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

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

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**F. Actuarial Assumptions – STRS (continued)**

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

**Sensitivity to Changes in Discount Rate - STRS**

	<b>1% Decrease <u>(6.75%)</u></b>	<b>Current Discount Rate <u>(7.75%)</u></b>	<b>1% Increase <u>(8.75%)</u></b>
Academy's proportionate share of the net pension liability	\$ 3,114,107	\$ 2,343,339	\$ 1,693,150

**G. Changes Between Measurement Date and Report Date - STRS**

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

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

**9. POSTEMPLOYMENT BENEFITS (continued)**

**A. School Employees Retirement System (continued)**

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

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 are listed in the table below:

**Contribution for Health Care Including Surcharge - SERS**

<b>Fiscal Year Ended June 30</b>	<b>Surcharge</b>	<b>Healthcare</b>	<b>Total</b>	<b>Percent Contributed</b>
2017	\$ 2,879	\$ -	\$ 2,879	100%
2016	3,554	-	3,554	100%
2015	8,732	1,631	10,363	100%

**B. State Teachers Retirement System of Ohio**

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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 authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

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**10. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2017.

**B. Foundation Funding**

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for fiscal year 2017.

As of the date of this report, all ODE adjustments through fiscal year 2017 have been completed.

In addition, the Academy's contracts with the Buckeye Community Hope Foundation and The Leona Group, LLC, require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2017 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

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**11. PURCHASED SERVICE EXPENSES**

For the period ended June 30, 2017, purchased service expenses were payments for services rendered by various vendors, as follows:

<b>Purchased Services</b>	
<b><u>Category</u></b>	<b><u>FY2017</u></b>
Salaries	\$ 679,917
Fringe benefits	(317,910)
Other professional and technical services	62,873
The Leona Group, LLC	194,875
Legal services	5,907
Buckeye Community Hope Foundation	35,315
Cleaning services	2,499
Repairs and maintenance	6,168
Building rental	190,809
Other rentals	9,588
Communication	28,871
Advertising	1,533
Contracted food service	75,790
Pupil transportation	100,612
	<hr/>
Total purchased services	<u><u>\$1,076,847</u></u>

The negative amount recorded in fringe benefits is the result of adjustments related to pension that are outside of the Academy's control (see Note 8).

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

**12. OPERATING LEASES**

In May 2011, the Academy entered into a lease agreement with Toledo St. Thomas Aquinas Parish for a school facility, rectory, gymnasium and parking lot, with minimum required payments of \$15,000 per month over the period from August 1, 2011 through July 31, 2016. The minimum annual rental payments are subject to an annual increase of 2 percent following June 30 of each year of the lease term. The final payment under this lease agreement was \$16,236; however, the Academy recognized a reversal of cumulative straight-line rent adjustments of \$1,428 for the fiscal year ended June 30, 2017.

On August 1, 2016 the Academy entered into a new lease agreement with the Roman Catholic Diocese of Toledo, Ohio, for the same facility, with minimum required payments of \$16,000 per month over the period from August 1, 2016 through June 30, 2018. Total payments under this lease agreement were \$176,000 for fiscal year 2017.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2017:

<b>Future Minimum Rent Due</b>	
<u>Fiscal Year Ending June 30,</u>	<u>Annual Total</u>
2018	<u>\$ 192,000</u>
Total minimum lease payments	<u><u>\$ 192,000</u></u>

**13. DEBT – SHORT-TERM**

Debt activity during 2017 was as follows:

<b>Debt Activity</b>				
<u>Owed To</u>	<u>Balance at 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2017</u>
RBS Citizens NA	\$ -	\$320,000	\$ 320,000	\$ -
The Leona Group, LLC	-	64,000	64,000	-
Total	<u>\$ -</u>	<u>\$384,000</u>	<u>\$ 384,000</u>	<u>\$ -</u>

On September 15, 2016 the Board of Directors entered into a loan agreement with RBS Citizens, NA. This agreement provided the Academy with \$320,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner. Principal and interest was due monthly beginning October 31, 2016 and the loan matured on June 30, 2017.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

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**13. DEBT – SHORT-TERM (continued)**

The Leona Group occasionally extends short-term, unsecured loans to the Academy to alleviate cash flow deficiencies. During 2017, \$64,000 was advanced to the Academy and repaid in full.

**14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT**

The Academy entered into a five-year contract, effective June 16, 2016 through June 30, 2021, with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. The contract provides for an automatic two-year renewal. In exchange for its services, TLG receives a capitation fee of 12% of per-pupil expenditures less any grant administration fees paid directly to TLG. No fees are charged on any net surplus. The Academy incurred capitation fees of \$194,875 for the 2017 fiscal year.

Terms of the management contract requires TLG to provide the following:

- A. implementation and administration of the educational program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

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**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

**14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)**

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include salaries and fringe benefits of The Leona Group, LLC, employees working at the Academy, and other costs related to providing educational and administrative services.

Eagle Academy	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Other Instruction (1400 and 1900 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<i>Direct expenses:</i>						
Salaries & wages (100 object codes)	\$ 251,799	\$ 189,246	\$ 4,623	\$ 261,827	\$ 500	\$ 707,995
Employees' benefits (200 object codes)	85,678	64,571	787	91,840	142	243,018
Professional & technical services (410 object codes)	-	-	-	14,139	-	14,139
Contracted craft or trade services (460 object codes)	-	-	-	-	851	851
Transportation (480 object codes)	-	-	-	116	-	116
Supplies (500 object codes)	-	-	-	2,963	-	2,963
Other direct costs (All other object codes)	-	-	-	25,184	-	25,184
<b>Total expenses</b>	<b>\$ 337,477</b>	<b>\$ 253,817</b>	<b>\$ 5,410</b>	<b>\$ 396,069</b>	<b>\$ 1,493</b>	<b>\$ 994,266</b>

At June 30, 2017 the Academy had a balance due to The Leona Group, LLC recorded as contracts payable in the amount of \$269,649. This consists of payroll, management fees and pending reimbursements. The following is a schedule of payables to The Leona Group, LLC:

**Balance Due to The Leona Group, LLC**

<u>Type</u>	<u>June 30, 2017</u>
Management fees	\$ 92,326
Payroll	160,551
Miscellaneous	16,772
<b>Total</b>	<b>\$ 269,649</b>

The statement of net position also includes a liability for accrued wages and benefits due primarily to The Leona Group, LLC in the amount of \$54,812 recorded as accounts payable – related party.

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*  
*(continued)*

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**15. GOING CONCERN**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Academy as a going concern.

The Academy had operating income of \$12,249 and current liabilities exceeding current assets by \$225,808. The increase in net position of \$412,354 was primarily due to pension-related activities beyond the control of the Academy.

The Academy's student enrollment for the 2016-2017 school year was below the Academy's initial forecast and below the level necessary for the Academy to function financially without assistance from the management company. The Academy's 2017-2018 enrollment continues to lag behind desired levels for the Academy to function financially on its own. Grassroots and social media marketing strategies will be undertaken to help increase enrollment. Expenditure cuts are also being implemented.

**16. SUBSEQUENT EVENT**

On December 15, 2017, the Academy's sponsor, Buckeye Community Hope Foundation, provided the Academy a notice to non-renew their sponsorship agreement with the Academy effective June 30, 2018. The Academy unsuccessfully appealed this decision.

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**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net Pension Liability*  
*Last Four Fiscal Years <sup>(1)</sup>*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>State Teachers Retirement System (STRS)</b>				
Academy's proportion of the net pension liability (asset)	0.00700068%	0.00801978%	0.01507136%	0.01507136%
Academy's proportionate share of the net pension liability (asset)	\$ 2,343,339	\$ 2,216,433	\$ 3,665,876	\$ 4,366,768
Academy's covered-employee payroll	\$ 733,014	\$ 836,729	\$ 1,531,438	\$ 1,471,931
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	319.69%	264.89%	239.37%	296.67%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%
<b>School Employees Retirement System (SERS)</b>				
Academy's proportion of the net pension liability (asset)	0.00550290%	0.00660590%	0.01691300%	0.01691300%
Academy's proportionate share of the net pension liability (asset)	\$ 402,762	\$ 376,939	\$ 855,957	\$ 1,005,762
Academy's covered-employee payroll	\$ 170,900	\$ 198,862	\$ 440,945	\$ 481,221
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	235.67%	189.55%	194.12%	209.00%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of Academy Contributions*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>State Teachers Retirement System (STRS)</b>					
Contractually required contribution	\$ 66,327	\$ 102,622	\$ 117,142	\$ 199,087	\$ 191,351
Contributions in relation to the contractually required contribution	<u>(66,327)</u>	<u>(102,622)</u>	<u>(117,142)</u>	<u>(199,087)</u>	<u>(191,351)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 473,764	\$ 733,014	\$ 836,729	\$ 1,531,438	\$ 1,471,931
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%
<b>School Employees Retirement System (SERS)</b>					
Contractually required contribution	\$ 14,479	\$ 23,926	\$ 26,210	\$ 61,115	\$ 66,601
Contributions in relation to the contractually required contribution	<u>(14,479)</u>	<u>(23,926)</u>	<u>(26,210)</u>	<u>(61,115)</u>	<u>(66,601)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 103,421	\$ 170,900	\$ 198,862	\$ 440,945	\$ 481,221
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of Academy Contributions*  
*Last Ten Fiscal Years*

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>State Teachers Retirement System (STRS)</b>					
Contractually required contribution	\$ 156,084	\$ 97,339	\$ 80,717	\$ 47,602	\$ 53,541
Contributions in relation to the contractually required contribution	<u>(156,084)</u>	<u>(97,339)</u>	<u>(80,717)</u>	<u>(47,602)</u>	<u>(53,541)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 1,200,646	\$ 748,762	\$ 620,900	\$ 366,169	\$ 411,854
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%
<b>School Employees Retirement System (SERS)</b>					
Contractually required contribution	\$ 54,312	\$ 38,105	\$ 24,609	\$ 17,033	\$ 11,951
Contributions in relation to the contractually required contribution	<u>(54,312)</u>	<u>(38,105)</u>	<u>(24,609)</u>	<u>(17,033)</u>	<u>(11,951)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 403,807	\$ 303,142	\$ 181,750	\$ 173,100	\$ 121,701
Contributions as a percentage of covered-employee payroll	13.45%	12.57%	13.54%	9.84%	9.82%

**EAGLE ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**Changes in benefit terms:** There were no changes in benefit terms from the amounts reported for fiscal year 2016.

**Changes in assumptions:** Changes in methods and assumptions from fiscal year 2016 to fiscal year 2017 are as follows:

<b>Changes in Methods and Assumptions - SERS</b>		
<u>Method or Assumption</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
Valuation date	June 30, 2015	June 30, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal (Level percent of payroll)
Actuarial assumptions experience study date	June 30, 2010	5 year period ended June 30, 2015
Investment rate of return	7.75 percent net of investments expense, including inflation	7.50 percent net of investments expense, including inflation
COLA or ad hoc COLA	3.00 percent	3.00 percent
Future salary increases, including inflation	4.00 percent to 22.00 percent	3.50 percent to 18.20 percent
Wage inflation	3.25 percent	3.00 percent
Mortality assumptions	Mortality rates were based on the 1994 Group Annuity Mortality Table set back one year for both men and women	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females

January 30, 2018

To the Board of Directors  
Eagle Academy  
Lucas County, Ohio  
1430 Idaho St.  
Toledo, Oh 43605

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eagle Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 30, 2018, in which we noted the School has suffered recurring losses from operations and has a net position deficit of \$4,511,528, including the net effect of net pension liability and related accruals totaling \$4,333,455, that raises substantial doubt about its ability to continue as a going concern.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

Lima, Ohio





# Dave Yost • Auditor of State

**EAGLE ACADEMY**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2018**