CENTRAL ACADEMY OF OHIO
LUCAS COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Central Academy of Ohio
Lucas County
2727 Kenwood Boulevard
Toledo, Ohio 43606-3216

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matters

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

As discussed in Note 15 to the financial statements, the Academy has suffered recurring losses from operations and has a net deficiency. Note 15 also describes management's evaluation of the events and conditions and their plans to mitigate these matters. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

July 15, 2020

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

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

Financial Highlights

- Total Assets were $205,690.
- Total Deferred Outflows of Resources were $430,089
- Total Liabilities were $3,109,939.
- Total Deferred Inflows of Resources were $451,700
- Total Change in Net Position was $168,461

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net positon, a statement of revenues, expenses and changes in net position, and statement of cash flows.

Reporting the Academy as a Whole

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

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the activities for the Academy, which encompass all of the Academy's services, which are reported as purchased services. Unrestricted state aid and state and federal grants finance most of these activities.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

In addition to the basic financial statements, this report presents certain required supplementary information concerning the Academy's net pension liability and net OPEB liability/asset.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during 2019?" This statement includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, both financial and capital, and 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 considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net position for fiscal year 2019 and 2018:

Table 1

	2019	2018
Assets		
Current Assets	$ 153,699	$ 175,884
Non-current assets	51,991	
Total Assets	205,690	175,884
Deferred Outflows of Resouces	430,089	548,057
Liabilities		
Current Liabilities	1,902,803	1,870,604
Non-current Liabilities	1,207,136	1,570,992
Total Liabilities	3,109,939	3,441,596
Deferred Inflows of Resouces	451,700	376,668
Net Position		
Restricted	107,723	102,739
Unrestricted (deficit)	(3,033,583)	(3,197,059)
Total Net Position	$ (2,925,860)	$ (3,094,320)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

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

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

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

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

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

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

Total assets were $205,690. Cash and cash equivalents amounted to $10,046. Intergovernmental Receivables amounted to $107,723, consisting primarily of receivables from federal awards.

The most significant liabilities are the payable to Global Educational Excellence, the management company in the amount of $1,902,624, as well as the net pension liability in the amount of $1,042,436.

The ($3,033,583) deficit in unrestricted net position represents the accumulated results of the past year's operations. Since the unrestricted net position balance is a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net position from year to year.

Table 2 shows the changes in net position for fiscal year 2019 and 2018:

Table 2

	2019	2018
Revenues		
Operating Revenues:		
Foundation Payments	$ 1,001,027	$ 958,770
Other Operating Revenues	6,310	6,651
Non-Operating Revenues:		
Donated Management Fees	200,000	200,000
State Grants	2,500	
Federal Grants	268,395	264,596
Total Revenues	1,478,232	1,430,017
Expenses		
Operating Expenses		
Purchased Services	1,309,771	1,448,214
Total Expenses	1,309,771	1,448,214
Change in Net Position	$ 168,461	$ (18,197)

During the 2018-2019 school year, there were approximately 120 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2018 amounted to $6,020 per student.

The Academy's business-type activities consist of enterprise activity. Community Schools receive no support from tax revenues. Operating revenues increased as a result of an increase in enrollment from the prior year.

Most expenses are purchased services. Per contract, the Academy remits most of its revenue to Global Educational Excellence, the management company, which incurs costs on behalf of the Academy to provide instruction and other costs. See Note 10 for more detail. The increase in net position is largely attributable to the decrease in purchased services expenditures, which is largely attributable to a decrease in the OPEB expense reported in the Academy's basic financial statements.

Capital Assets and Debt Administration

The Academy had no capital assets or debt to report at June 30, 2019.

Current Financial Issues

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 86% percent of revenue is from the foundation allowance and federal operating grant funds. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue, including any implications related to COVID-19, is not known.

Contacting the Academy's Financial Management

This 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 money it receives. If you have questions about this report or need additional information, contact the academy at 419-205-9800.

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CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

Assets:		
Current assets:		
Cash and cash equivalents	$	10,046
Receivables:		
Intergovernmental		107,723
Prepayments		35,930
Total current assets		153,699
Non-current assets:		
Net OPEB asset		51,991
Total assets		205,690
Deferred outflows of resources:		
Pension		416,436
OPEB		13,653
Total deferred outflows of resources		430,089
Liabilities:		
Current liabilities:		
Accounts payable to GEE		1,902,624
Intergovernmental payable		179
Total current liabilities		1,902,803
Non-current liabilities:		
Net pension liability		1,042,436
Net OPEB liability		164,700
Total non-current liabilities		1,207,136
Total liabilities		3,109,939
Deferred inflows of resources:		
Pension		292,483
OPEB		159,217
Total deferred inflows of resources		451,700
Net position:		
Restricted for federal programs		107,723
Unrestricted (deficit)		(3,033,583)
Total net position (deficit)	$	(2,925,860)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

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

Operating revenues:		
Foundation payments.	$	1,001,027
Other Operating Revenue.		6,310
Total operating revenues		1,007,337
Operating expenses:		
Purchased services.		1,309,771
Operating loss.		(302,434)
Non-operating revenues:		
Donated Management Fees.		200,000
Operating Grants - State		2,500
Operating Grants - Federal.		268,395
Total non-operating revenues. . . .		470,895
Change in net position		168,461
Net position (deficit) at beginning of year . .		(3,094,321)
Net position (deficit) at end of year	$	(2,925,860)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

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

Cash flows from operating activities:		
Cash received from state foundation	$	997,907
Cash payments for other operations.		6,310
Cash payments for suppliers for goods and services		(1,146,500)
Cash payments for employee benefits		(81,732)
Net cash (used in) operating activities		(224,015)
Cash flows from noncapital financing activities:		
Cash received from operating grants - state.		2,500
Cash received from operating grants - federal		222,288
Net cash provided by noncapital financing activities.		224,788
Net increase in cash and cash equivalents		773
Cash and cash equivalents at beginning of year . . .		9,273
Cash and cash equivalents at end of year	$	10,046
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	$	(302,434)
Donated management fees		200,000
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Decrease) in prepayments		27,570
(Decrease) in deferred outflows of resources.		117,968
(Increase) in net OPEB asset		(51,991)
(Decrease) in intergovernmental payable		(3,121)
Increase in accounts payable to GEE		35,324
(Decrease) in net pension liability		(124,278)
(Decrease) in net opeb liability		(239,578)
Increase in deferred inflows of resources		116,154
(Decrease) in accounts receivable		371
Net cash (used in) operating activities	$	(224,015)
Noncash Transactions:		
Donated Management Fees		200,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Central Academy of Ohio (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eight. The Academy's objective is to promote lifelong learning by nurturing academic excellence, positive character, and an appreciation of cultures. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code.

The Academy has a renewed its charter agreement under the oversight of Ohio Council of Community Schools (OCCS) for a period of ten years which commenced July 1, 2013 and ending June 30, 2022. 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. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3% percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a five-member board of directors. 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 eleven noncertified and twelve certified full-time teaching personnel who provide services to approximately 120 students.

The governing board has entered into a management contract with Global Educational Excellence to provide consulting services, including teacher training, curriculum development, financial management, and state relations. (See Note 10)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. 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. Reporting Entity

The Academy's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity Omnibus and Amendment of GASB Statements No. 14 and No. 34". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Academy are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Academy. For the Academy, this includes general operations of the Academy. Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization's governing board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally

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

entitled to or can otherwise access the organization's resources; the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statement of the reporting entity includes only those of the Academy (the primary government).The Academy has no component units.

B. 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.

C. Measurement Focus

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

D. 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.

Revenues 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.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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 Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

E. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction, unless specifically provided in the contract between the academy and its sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

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

F. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's management company, Global Educational Excellence, which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

H. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2019, including accounts payable, intergovernmental payable, and amounts payable to the Management Company, Global Educational Excellence.

I. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources have been reported for the following two items related the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the Academy's net pension liability.

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

K. 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 from the State. 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.

L. Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid Program. Revenues from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

M. Estimates

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

N. Pensions / Other Postemployment Benefits (OPEB)

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

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

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 88 establishes criteria to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2019, the carrying amount of the Academy's deposits was $10,046 and the bank balance was $10,046. As of June 30, 2019, the bank balance was fully covered by the Federal Deposit Insurance Corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental receivables for reimbursements for federal related expenditures. All receivables are considered collectable in full and are expected to be received within one year.

The Intergovernmental Receivables consist of the following:

Title I	$	35,408
Title IIA		34,941
Title IV		11,984
IDEA		25,390
Total Intergovernmental Receivables	$	107,723

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2019, the Academy obtained insurance through broker Sterling Agency with the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	2,000,000
Educators Professional Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Business Personal Property	150,000
Excess Liability:	
Limits of Liability	10,000,000

Claims have not exceeded coverage for the past three fiscal years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

NOTE 6 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

The Academy pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2019.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

The Academy's contractually required contribution to SERS was $39,503 for fiscal year 2019. As of June 30, 2019, $508 is reported as prepaid.

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, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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 goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS Ohio was $48,186 for fiscal year 2019. As of June 30, 2019, $26,901 is reported as prepaid.

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

The net pension liability reported as of June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0057800%	0.00323546%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0063381%	0.00369060%	
Change in Proportionate Share	-0.0005581%	-0.00045514%	
Proportion of the Net Pension Liability	$331,031	$711,405	$1,042,436
Pension Expense	($8,446)	$49,954	$41,508

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Deferred Outflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	$ 18,155	$ 16,421	$ 34,576
Difference from a change in proportion and differences between Academy contributions and proportionate share of contributions	11,637	153,584	165,221
Changes of assumptions	7,475	126,074	133,549
Academy contributions subsequent to the measurement date	34,904	48,186	83,090
Total	$ 72,171	$ 344,265	$ 416,436

Deferred Inflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	$ -	$ 4,646	$ 4,646
Differences between projected and actual investment earnings	9,172	43,139	52,311
Difference from a change in proportion and differences between Academy contributions and proportionate share of contributions	23,908	211,618	235,526
Total	$ 33,080	$ 259,403	$ 292,483

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

$83,090 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$3,415	$8,970	$12,385
2021	772	2,505	3,277
2022		19,925	19,925
2023		5,276	5,276
Total	$4,187	$36,676	$40,863

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$466,283	$331,031	$217,632

Assumptions and Benefit Changes Since the Prior Measurement Date - With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Payroll Increases	3.0%
Investment Rate of Return	7.45 percent, net of investment expenses
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0%

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	$1,038,913	$711,405	$434,214

Assumptions and Benefit Changes Since the Prior Measurement Date - There were no changes in assumptions or benefit terms since the prior measurement date.

NOTE 8 - DEFINED BENEFIT OPEB PLANS

See Note 7 for a description of the net OPEB liability (asset).

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

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Coninued)

of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Academy's surcharge obligation was $3,500.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was $5,062 for fiscal year 2019.

State Teachers Retirement System

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

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

Net Other Post Employment Benefit (OPEB) Liability (Asset) , OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)

The net OPEB (asset) liability was measured as of June 30, 2018, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB (asset) liability was based on the

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Coninued)

Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Net Other Post Employment Benefit (OPEB) Liability (Asset) , OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (Continued)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.00639410%	0.00369060%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	0.00593690%	0.00323546%	
Change in Proportionate Share	-0.00045720%	-0.00045514%	
Proportionate Share of the Net OPEB Liability	$164,700		$164,700
Proportionate Share of the Net OPEB (Asset)		($51,991)	($51,991)
OPEB Expense (Gain)	$5,267	($121,409)	($116,142)

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ 2,688	$ 6,073	$ 8,761
Difference from a change in proportion and differences between Academy contributions and proportionate share of contributions		-	-
Academy contributions subsequent to the measurement date	4,892	-	4,892
Total	$ 7,580	$ 6,073	$ 13,653

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience		$3,029	$3,029
Differences between projected and actual investment earnings	$ 247	5,939	6,186
Changes of assumptions	14,797	70,841	85,638
Difference from a change in proportion and differences between Academy contributions and proportionate share of contributions	18,447	45,917	64,364
Total	$ 33,491	$ 125,726	$ 159,217

$4,892 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020.

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Coninued)

Net Other Post Employment Benefit (OPEB) Liability (Asset) , OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	($11,251)	($36,123)	($47,374)
2021	(9,367)	(36,123)	(45,490)
2022	(3,395)	(36,123)	(39,518)
2023	(3,395)	(11,284)	(14,679)
2024	(3,395)		(3,395)
Total	($30,803)	($119,653)	($150,456)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Coninued)

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

Valuation Date	June 30, 2018
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation
Price Inflation	3.00%
Salary increases, including price inflation	3.50% - 18.20%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	3.63%
Measurement Date	3.70%
Medical Trend Assumption	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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

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

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Coninued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Academy's proportionate share of the net OPEB liability	$132,887	$164,700	$206,839

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Continued)

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
Academy's proportionate share of the net OPEB liability	$199,857	$164,700	$136,872

Assumptions and Benefit Changes Since the Prior Measurement Date - The following changes in key methods and assumptions as presented below:

(1) Discount Rate:

Prior Measurement Date		3.63%
Measurement Date	3.70%	

(2) Municipal Bond Index Rate:

Prior Measurement Date		3.56%
Measurement Date	3.62%	

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date		3.63%
Measurement Date	3.70%	

Actuarial Assumptions - STRS

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

Projected Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45%	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

Mortality Rates — For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Experience Studies — Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

Discount Rate — The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB (asset) liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OEPB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB (asset) liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB liability (asset)	($44,561)	($51,991)	($775,069)

NOTE 8 - DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
Academy's proportionate share of the net OPEB liability (asset)	($57,882)	($51,991)	($46,007)

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

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

NOTE 9 - OTHER EMPLOYEE BENEFITS

Employees of the Academy are employed by Global Educational Excellence. Policies and procedures, and benefits are approved by the Global Educational Excellence.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy entered into a 5-year contract, effective March 14, 2007 with an original expiration date of June 30, 2012, with Global Educational Excellence for educational management services. The contract contains a provision which extends the contract for successive one-year periods unless terminated by either party. In exchange for its services, Global Educational Excellence receives a management fee equal to 10% percent of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require Global Educational Excellence to provide the following:

A. **Responsibility.** Contractor shall be responsible, and accountable to the Board, for the administration, operation and performance of the Academy, in accordance with appropriate sections of the law and the Contract. Contractor shall use its best efforts to perform the obligations and responsibilities of the Academy under the law and the Contract on behalf of the Academy or to assist the Academy in performing those obligations and responsibilities. Nothing in this Agreement shall be construed to prevent the Board from exercising its statutory, contractual or fiduciary responsibilities or from setting policies governing the operation of the Academy. Decisions made by the Contractor which by law or the Contract must be made by the Board in compliance with the Ohio Open Meetings Act shall not be binding on the Academy and its Board.

B. **Educational Program.** The educational program and the program of instruction shall be designed by Contractor in accordance with the Contract, and may be adapted and modified from time to time with prior Board approval, it being understood that an essential principle of a successful, effective educational program is its flexibility, adaptability, and capacity to change in the interest of

NOTE 10 - MANAGEMENT AGREEMENT – (Continued)

continuous improvement and efficiency, and that the Board and Contractor are interested in results and not in inflexible prescriptions. Notwithstanding the foregoing, the Board shall have the right to approve material changes to the educational program and programs of instruction necessitated by the failure of the Academy to meet the goals identified in the Contract or otherwise abide by the terms of the Contract. The parties acknowledge that changes to the educational program may require an amendment to the Contract prior to implementation. As between the parties, all intellectual property, proprietary information or other rights in or to any curriculum, educational materials or teaching techniques developed by Contractor for the Academy shall be the property of the Academy and shall be subject to disclosure under the law and the Ohio Freedom of Information Act unless specifically exempt.

C. **Strategic Planning.** Contractor shall design strategic plans for the continuing educational and financial benefit of the Academy.

D. **Public Relations.** Contractor shall design an ongoing public relations strategy for the development of beneficial and harmonious relationships with other organizations and the community, for implementation by the Academy as Board. Marketing and development costs paid by or charged to the Academy shall be limited to those costs specific to the Academy program, and shall not include any costs for the marketing and development of the Contractor or any Academy managed by the Contractor.

E. **Specific Functions.** Contractor shall be responsible for the management, operation, administration, and provision of educational and custodial activities at the Academy. Such functions may include, but are not limited to:

1. Implementation and administration of the Educational Program, including the recommendation and acquisition of instructional materials, equipment and supplies (subject to the right of the Board to approve text books), and the administration of any and all extra and co-curricular activities and programs as approved by the Academy Board;

2. Management of all personnel functions, including professional development for the Principal, all instructional personnel and other staff, and the personnel functions outlined in Article I;

3. Maintenance and operation of the school building and installation of technology for educational or operational purposes;

4. All aspects of the business administration of the Academy;

5. All business, educational, and community partnering programs;

6. All strategic planning;

7. All fund raising and grant development programs and strategies;

8. Public relations programs, strategies and events;

9. Any other function necessary or expedient for the administration of the Academy, or as may be required under the law, the Contract, or by OCCS.

NOTE 10 - MANAGEMENT AGREEMENT – (Continued)

10. Contractor and the Board acknowledge that the school building is currently leased and that the Board Liaison will be responsible for compliance with the tenant's obligations thereunder, the expense of which shall be borne by the Board. Contractor shall identify to the Board Liaison those tenant obligations it performs on behalf of the Academy. The parties acknowledge that nothing contained herein shall affect the respective obligations of the landlord and tenant under the lease of the school building.

F. **Subcontracts.** Contractor reserves the right to subcontract, with Academy Board approval, any and all aspects of all other services it agrees to provide to the Academy, including, but not limited to transportation and/or food service.

G. **Place of Performance.** Contractor reserves the right to perform functions other than instruction, such as purchasing, professional development and administrative functions, off-site, unless prohibited by state or local law.

H. **Materials Purchased.** All equipment, materials and supplies purchased by Contractor on behalf of the Academy shall be property of the Academy. If Contractor purchases equipment, material and supplies for the Academy, it shall comply with state law as if the Academy were making all such purchases directly.

I. **Student Recruitment.** Contractor and the Board shall be jointly responsible for the recruitment of students, subject to the Board's direction on general recruitment and admission policies and the Contract. Application by or for students shall be voluntary, and shall be in writing. Students shall be selected in accordance with the procedures set forth in the Contract and in compliance with state law and other applicable law.

J. **Due Process Hearings.** Contractor shall provide student due process hearings in conformity with the requirements of state and federal law regarding discipline, special education, confidentiality and access to record, consistent with the Academy's own obligations and policy.

K. **Legal Requirements.** Contractor shall provide educational programs that meet federal, state, and local laws and regulations, and the requirements imposed under the law and the Contract, unless such requirements are or have been waived.

L. **Rules and Procedures.** Contractor shall recommend reasonable rules, regulations, and procedures applicable to the Academy and is authorized and directed to enforce those rules, regulations and procedures adopted by the Academy Board.

M. **School Year and School Day.** Contractor shall establish the calendar for the school year and the school day, subject to the requirements under law and as determined annually by the Board.

N. **Additional Grades and Student Population.** Contractor shall make recommendations to the Board concerning limiting, increasing, or decreasing the number of grades offered and the number of students served per grade or in total, within the limits provided for by the Contract. In the event the Board seeks to expand the Academy to a new grade level, the Board shall involve Contractor in such efforts as early as possible.

O. **Material Breach of Agreement.** Failure of Contractor to reasonably perform these functions, unless prevented from doing so by the Academy, its Board or circumstances beyond Contractor's control, shall be considered a material breach of this Agreement.

NOTE 10 - MANAGEMENT AGREEMENT – (Continued)

For the year ended June 30, 2019, Global Educational Excellence Management Company incurred the following expenses on behalf of the Academy:

Salaries and Wages	$	446,268
Employee Benefits		(9,742)
Professional and Technical Services		198,899
Property Services		30,592
Travel Mileage/Meeting Expense		6,203
Communications		36,354
Utilities		50,324
Contracted Craft or Trade Services		5,720
Food and Related Supplies		64,559
Student Transportation		92,320
Other Supplies		125,262
Dues and Fees		76,183
Other Direct Costs		33,718
Total	$	1,156,659

NOTE 11 - PURCHASED SERVICES

For the year ended June 30, 2019, purchased service expenses were payments for services rendered by various vendors, as follows:

Salaries and Wages	$	446,268
Employee Benefits		23,370
Professional and Technical Service:		198,899
Property Services		150,592
Travel Mileage/Meeting Expense		6,203
Communications		36,354
Utilities		50,324
Contracted Craft or Trade Services		5,720
Books, periodicals, films		-
Food & Related Supplies		64,559
Student Transportation		92,320
Other Supplies		125,262
Dues and Fees		76,183
Other Direct Costs		33,718
Total Purchased Services	$	1,309,771

NOTE 12 - OPERATING LEASES – LESSEE DISCLOSURE

The Academy is located at 2727 Kenwood Boulevard, Toledo, Ohio 43606 and entered into an extended lease for the period July 1, 2019 and shall run concurrent with the term of the Charter Contract, with Central Academy of Toledo LLC, with lease terms of 13% of the annual pupil enrollment grant amount received, but in no event less than minimum $10,000 month. The expense under the new lease for the Academy totaled $120,000.

NOTE 13 - CONTINGENCIES

A. Grants

The Academy receives 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of included herein or on the overall financial position of the Academy at June 30, 2019.

B. State Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school, 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 performed such a review on the Academy for fiscal year 2019. Adjustments have not been finalized but are expected to be minimal.

As of the date of this report, additional ODE adjustments for fiscal year 2019 are finalized. ODE has made adjustments based on attendance adjustments reported by the Academy totaling $6,109 which is included in intergovernmental receivable.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Management Company donated $200,000 of management fees during fiscal year 2018- 2019, which reduced year-end payables to Global Educational Excellence by $200,000.

The Academy leases its building from Central Academy of Toledo, LLC. Mohamad Issa is a part owner of Central Academy of Toledo, LLC and is the President of Global Educational Excellence (the Management Company). The Academy paid $120,000 for building lease during fiscal year 2019.

NOTE 15 - MANAGEMENT PLAN

The Academy had a deficit net position of $2,925,860 at June 30, 2019. This deficit is largely attributable to recurring losses and the corresponding liability payable to the Academy's management company, Global Educational Excellence, in the amount of $1,902,624. Management intends to eliminate the deficit by increasing enrollment and improving operating efficiencies, in addition to paying down the Academy's $1,902,624 Liability with Global Educational Excellence.

NOTE 16 - LONG TERM LIABILITIES

The changes in the Academy's net pension liabilities and net OPEB liabilities during the fiscal year 2019 were as follows:

	Balance Outstanding 06/30/18	Additions	Deductions	Balance Outstanding 06/30/19	
Net Pension Liability:					
STRS	$ 876,710	$ -	$ (165,305)	$ 711,405	
SERS	378,687	-	(47,656)	331,031	
Total Net Pension Liability	$ 1,255,397	$ -	$ (212,961)	$ 1,042,436	
Net OPEB Liability:					
STRS	143,994	-	(143,994)	-	*
SERS	171,601	-	(6,901)	164,700	
Total Net OPEB Liability	$ 315,595	$ -	$ (150,895)	$ 164,700	

* - OPEB for STRS has a Net OPEB asset in the amount of $51,991 as of June 30,2019.

NOTE 17 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. The investments of the pension and other employee benefit plan in which the Academy participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
Academy's proportion of the net pension liability	0.00578000%	0.00633810%	0.00571130%	0.00596700%
Academy's proportionate share of the net pension liability	$ 331,031	$ 378,687	$ 418,014	$ 340,483
Academy's covered payroll	$ 203,556	$ 204,771	$ 177,371	$ 179,651
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	162.62%	184.93%	235.67%	189.52%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014
	0.57120000%	0.57120000%
	$ 289,081	$ 339,674
	$ 179,286	$ 209,906
	161.24%	161.82%
	71.70%	65.52%

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
Academy's proportion of the net pension liability	0.00323546%	0.00369060%	0.00446810%	0.00361096%
Academy's proportionate share of the net pension liability	$ 711,405	$ 876,710	$ 1,495,608	$ 997,964
Academy's covered payroll	$ 367,814	$ 405,736	$ 392,443	$ 376,743
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	193.41%	216.08%	381.10%	264.89%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.29%	66.78%	72.09%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014
	0.00393553%	0.39355300%
	$ 957,257	$ 1,140,278
	$ 413,138	$ 392,131
	231.70%	290.79%
	74.71%	69.30%

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 39,503	$ 27,480	$ 28,668	$ 24,832
Contributions in relation to the contractually required contribution	(39,503)	(27,480)	(28,668)	(24,832)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 292,615	$ 203,556	$ 204,771	$ 177,371
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 23,678	$ 24,849	$ 29,051	$ 20,766	$ 9,935	$ 20,774
(23,678)	(24,849)	(29,051)	(20,766)	(9,935)	(20,774)
$ -	$ -	$ -	$ -	$ -	$ -
$ 179,651	$ 179,286	$ 209,906	$ 154,394	$ 79,037	$ 153,427
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 48,486	$ 51,494	$ 56,803	$ 54,942
Contributions in relation to the contractually required contribution	(48,486)	(51,494)	(56,803)	(54,942)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 346,329	$ 367,814	$ 405,736	$ 392,443
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 52,744	$ 53,708	$ 50,977	$ 52,519	$ 25,729	$ 14,668
(52,744)	(53,708)	(50,977)	(52,519)	(25,729)	(14,668)
$ -	$ -	$ -	$ -	$ -	$ -
$ 376,743	$ 413,138	$ 392,131	$ 403,992	$ 197,915	$ 112,831
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	2018	2017
Academy's proportion of the net OPEB liability	0.00578000%	0.00639410%	0.00580010%
Academy's proportionate share of the net OPEB liability	$ 164,700	$ 171,601	$ 165,324
Academy's covered payroll	$ 292,615	$ 177,371	$ 179,651
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.29%	96.75%	92.03%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	2018	2017
Academy's proportion of the net OPEB liability/asset	0.00323546%	0.00369060%	0.00446805%
Academy's proportionate share of the net OPEB liability/(asset)	$ (51,991)	$ 143,994	$ 238,952
Academy's covered payroll	$ 367,814	$ 405,736	$ 392,443
Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	85.86%	35.49%	60.89%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.11%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 5,062	$ 3,981	$ 3,311	$ 2,988
Contributions in relation to the contractually required contribution	(5,062)	(3,981)	(3,311)	(2,988)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 292,615	$ 204,771	$ 177,371	$ 179,651
Contributions as a percentage of covered payroll	1.73%	1.94%	1.87%	1.66%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL ACADEMY OF OHIO
LUCAS COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 346,329	$ 367,814	$ 405,736	$ 392,443
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

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

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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

Central Academy of Ohio
Lucas County
2727 Kenwood Boulevard
Toledo, Ohio 43606-3216

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Central Academy of Ohio, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 15, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We also noted the Academy has a net position deficiency as a result of recurring losses.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-002 through 2019-004.

Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Academy's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

July 15, 2020

SCHEDULE OF FINDINGS
JUNE 30, 2019

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

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

The following errors requiring adjustment to the basic financial statements and/or notes to the basic financial statements were identified for the fiscal year ended June 30, 2019:

- Net pension liability was understated in the amount of $88,683, deferred outflows of resources – pension was understated in the amount of $44,324, deferred inflows of resources – pension was overstated in the amount of $19,076, and pension expense was understated in the amount of $25,283 in accordance with the provisions of Government Accounting Standards Board Statement No. 68 (GASB Cod P20);

- Net OPEB asset in the amount of $51,991 was incorrectly classified as deferred outflows of resources – net OPEB in accordance with the provisions of Government Accounting Standards Board Statement No. 75 (GASB Cod P50); and

- Net OPEB liability was overstated in the amount of $88,689, deferred outflows of resources – OPEB was overstated in the amount of $7,927, deferred inflows of resources – OPEB was understated in the amount of $16,753, and OPEB expense was overstated in the amount of $64,009 in accordance with the provisions of Government Accounting Standards Board Statement No. 75 (GASB Cod P50).

These errors were not identified and corrected prior to the Academy preparing its basic financial statements and notes to the basic financial statements due to deficiencies in the Academy's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying basic financial statements and notes to the basic financial statements have been adjusted to reflect these changes. An additional error in a smaller relative amount was also noted for the fiscal year ended June 30, 2019.

To help ensure the Academy's basic financial statements and notes to the basic financial statements are complete and accurate, the Academy should adopt policies and procedures, including a final review of the basic financial statements and notes to the basic financial statements by the Treasurer, to help identify and correct errors and omissions.

Officials' Response:

Compiler assists with completion of the retirement note. We will work closer with the compiler to ensure reliable information and reporting. Academy will explore opportunities with another compiler to ensure accurate information and reporting.

FINDING NUMBER 2019-002

Noncompliance Citation

Ohio Rev. Code § 3314.03(A)(6)(b) requires the governing authority of a community school to adopt an attendance policy.

According to the Academy's Attendance/Truancy/Withdrawal Policy (251), “Upon return to School, the student must provide to the School a written statement from a parent of the cause for absence, or the absence will be considered unexcused.”

Due to deficiencies in the Academy’s internal controls over student attendance records and absences, the Academy did not obtain the required documentation for two out of five students whose parent(s) notified the Academy of the absences via phone.

The lack of documentation for excused absences prevents the determination as to whether or not absences were excused in accordance with Academy policies and statutory guidelines. The Academy should require and maintain documentation student absences. The documentation should be added to individual attendance records and retained for audit.

Officials’ Response:

Due to school closure during the pandemic of COVID-19 and some staff not available onsite, this caused some trouble obtaining and/or locating this information. We will work with school officials to ensure an adequate plan is in place to ensure information is readily available during school emergency closure.

FINDING NUMBER 2019-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 3314.11(B)(1) states, in part, that for purposes of its initial reporting of the school districts in which its students are entitled to attend school, the governing authority of a community school shall adopt a policy that prescribes the number of documents listed in division (E) of this section required to verify a student's residency.

The Academy adopted a policy in accordance with the above section. According to the Academy's Records Upon Enrollment Policy (241.2), any one of the following is required upon enrollment:

- A certification of birth; or
- A passport or attested transcript of a passport filed with a registrar of passports at a point of entry of the United States showing the date and place of birth of the child; or
- An attested transcript of the certificate of birth; or
- An attested transcript of the certificate of baptism or other religious record showing the date and place of birth of the child; or
- An attested transcript of a hospital record showing the date and place of birth of the child.

Additionally, **Ohio Rev. Code § 149.351** provides that all records are the property of the public office concerned and shall not be removed, destroyed, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Ohio Rev. Code.

**FINDING NUMBER 2019-003
(CONTINUED)**

Due to deficiencies in the Academy's internal controls over student records, the Academy could not locate the student records folder, which would contain the required student enrollment information as outlined above, for one out of five students selected. These matters occurred despite the Academy's records retention schedule requiring that "Student Record Folders" be retained on a permanent basis.

Due to deficiencies in the Academy's internal controls over student records, the Academy also did not retain supporting documentation (i.e. call logs, doctor notes, parent notes, etc.) for excused absences for two of the five students selected. Instead, once the absence information was entered to the Academy's attendance system, supporting documentation was discarded. These matters occurred despite the Academy's records retention schedule requiring that "Student Record Folders" be retained on a permanent basis.

The lack of documentation for enrollment prevents the determination as to whether or not students were properly enrolled. Also, the failure to maintain enrollment documentation may result in the Academy inaccurately reporting enrollment, which may further result in the Academy receiving less funding than it is entitled to under State law.

The Academy should develop policies and procedures to ensure that all required enrollment documentation is obtained upon the enrollment of a new student and that such documentation is maintained on file.

This matter will be referred to the Ohio Department of Education.

Officials' Response:

Due to school closure during the pandemic of COVID-19 and some staff not available onsite, this caused some trouble obtaining and/or locating this information. We will work with school officials to ensure an adequate plan is in place to ensure information is readily available during school emergency closure.

FINDING NUMBER 2019-004

Noncompliance Citation

Ohio Rev. Code § 3314.03(A)(8) includes the requirements of community schools to have financial audits performed by the Auditor of State (AOS). The contract between the sponsor and the governing authority shall require financial records of the school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State, and the audits shall be conducted in accordance with Ohio Rev. Code § 117.10. This includes preparing the footnote of management company expenses in accordance with Ohio Rev. Code § 3314.024.

Ohio Rev. Code § 3314.024(A) states "A management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable."

**FINDING NUMBER 2019-004
(CONTINUED)**

Ohio Rev. Code § 3314.024(C) states "The expenses set forth in division (B) of this section shall be disaggregated according to the following designations, as applicable:

(1) Regular instruction;
(2) Special instruction;
(3) Vocational instruction;
(4) Other instruction;
(5) Support services;
(6) Noninstructional activities."

In order to meet these requirements, management companies may elect to have AOS (or contracting IPAs) audit this information at the management company or may provide independently audited financial statements and a statement showing the direct and allocated indirect (e.g., overhead) expenses for each school it manages. The companies should present this statement in a combining or consolidating format (i.e., present a column for each school). If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company's auditor does not provide opinion-level assurance on the combining or consolidating columns presenting each school, the Auditor of State will accept an agreed-upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215.

Global Educational Excellence, the Academy's management company, received more than 20% of the Academy's annual gross revenue for fiscal year 2019. Due to deficiencies in the Academy's internal controls over compliance, the Academy's management company did not provide audited financial statements, presenting combining or consolidating columns for each of its schools, or an agreed-upon procedures (AUP) report. Additionally, the management company note to the financial statements was not presented in accordance with Section (C) above, as the note contained only a single, non-disaggregated column of reported expenses. Without this information, the Academy cannot gain the necessary assurances regarding the details of the management company expenses related to monies paid to the management company by the Academy as reported in the notes to the basic financial statements. The Academy should obtain the necessary audit or AUP report.

For additional information, the Academy refer to the following website:
https://ohioauditor.gov/references/guidance/communityschools.html

Officials' Response:

We will investigate this finding further to see what is feasible to meet this requirement.

OHIO AUDITOR OF STATE
KEITH FABER

CENTRAL ACADEMY OF OHIO

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 8/4/2020

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