

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017



Dave Yost • Auditor of State

Board of Directors
Focus Learning Academy of Northern Columbus
1880 E Dublin Granville Rd
Columbus, OH 43229

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

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

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

Dave Yost
Auditor of State

March 11, 2018

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**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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December 28, 2017

To the Board of Directors
Focus Learning Academy of Northern Columbus
Franklin County, Ohio
1880 E. Dublin Granville Road
Columbus, OH 43229

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* and the *Schedule of the School's Proportionate Share of the Net Pension Liability*, and *Schedule of School Contributions* on pages 4-8, 32-33, and 34-37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The *Schedule of Expenditures of Federal Awards*, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Dublin, Ohio

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of the financial performance of the Focus Learning Academy of Northern Columbus (the "School") provides an overall review of the School's financial activities for the fiscal year ending June 30, 2017. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, the School's net position decreased \$472,810 from net position at June 30, 2016.
- The School had total revenues of \$4,623,064, including operating revenues of \$3,741,442 and non-operating revenues of \$881,622, which supported operating expenses of \$5,095,874 during fiscal year 2017.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows

These statements consider all financial transactions and address the question, "How did the School perform financially during 2017?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, 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.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-30 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report as presents certain required supplementary information concerning the School's net pension liability. This required supplementary information can be found on pages 32-38 of this report.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The table below provides a summary of the School's net position for fiscal year 2017 and 2016.

| | 2017 | 2016 |
|--|----------------|----------------|
| Net Position | | |
| <u>Assets</u> | | |
| Current assets | \$ 336,539 | \$ 514,393 |
| Capital assets, net | 121,596 | 148,689 |
| Total assets | 458,135 | 663,082 |
| <u>Deferred outflows of resources</u> | 1,550,872 | 451,462 |
| <u>Liabilities</u> | | |
| Current liabilities | 270,578 | 308,032 |
| Non-current liabilities: | | |
| Net pension liability | 4,268,609 | 2,715,466 |
| Total liabilities | 4,539,187 | 3,023,498 |
| <u>Deferred inflows of resources</u> | - | 148,416 |
| <u>Net Position</u> | | |
| Investment in capital assets | 121,596 | 148,689 |
| Unrestricted (deficit) | (2,651,776) | (2,206,059) |
| Total net position (deficit) | \$ (2,530,180) | \$ (2,057,370) |

During a previous fiscal year, the School adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2017, the School’s net position is a deficit balance of \$2,530,180. The decrease in capital assets, net of accumulated depreciation was the result of depreciation expense on leasehold improvements and equipment that were capitalized. At year-end, capital assets, net of accumulated depreciation, represented 26.54% percent of total assets. Capital assets at June 30, 2017, consisted of equipment and leasehold improvements. Capital assets are used to provide services to students and are not available for future spending. The most significant increase was the area of net pension liability. This increase was the result of various changes at the two pension systems which increased the proportionate share of the net pension liability distributed out to all schools in Ohio. These changes related to the two pension systems also impacted the deferred inflows and outflows of resources for the school.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The table below shows the changes in net position for the fiscal year 2017 and fiscal year 2016.

Change in Net Position

| | 2017 | 2016 |
|---|----------------|----------------|
| <u>Operating Revenues:</u> | | |
| State foundation | \$ 3,739,987 | \$ 3,476,090 |
| Other revenues | 1,455 | 8,653 |
| Total operating revenues | 3,741,442 | 3,484,743 |
| <u>Operating Expenses:</u> | | |
| Salaries and wages | 1,892,442 | 1,593,616 |
| Fringe benefits | 778,677 | 396,802 |
| Purchased services | 2,107,072 | 1,849,422 |
| Materials and supplies | 186,532 | 198,195 |
| Other operating expenses | 91,233 | 71,403 |
| Depreciation | 39,918 | 35,335 |
| Total operating expenses | 5,095,874 | 4,144,773 |
| Operating loss | (1,354,432) | (660,030) |
| <u>Non-operating revenues:</u> | | |
| Federal and state grants and entitlements | 881,622 | 833,919 |
| Total non-operating revenues | 881,622 | 833,919 |
| Change in net position | (472,810) | 173,889 |
| Net position (deficit) at beginning of year | (2,057,370) | (2,231,259) |
| Net position (deficit) at end of year | \$ (2,530,180) | \$ (2,057,370) |

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Aid through the state foundation increased \$263,897 or 7.59% from fiscal year 2016, while federal and state grants and entitlements increased \$47,703 or 5.72%. The increase in foundation revenue is a result of an increase in student enrollment. Expenses increased \$951,101 or 22.95%, with the increase primarily in the salaries and wages, fringe benefits, and purchased services expenses. The increase in salaries and wages and fringe benefits was the result of hiring additional staff and increases in payrate as well as increase in pension costs from the previous year. The increase in purchase services is due to an increase in enrollment.

Capital Assets

At June 30, 2017, the School had \$121,596, net of accumulated depreciation, invested in capital assets. During fiscal year 2017, the School made leasehold improvements at a cost of \$12,825 and recognized \$39,918 in depreciation expense. Refer to Note 10 in the notes to the basic financial statements for more detail on the School's capital assets.

**Capital Assets at June 30
(Net of Depreciation)**

| | 2017 | 2016 |
|------------------------|------------|------------|
| Equipment | \$ 15,539 | \$ 18,348 |
| Leasehold improvements | 106,057 | 130,341 |
| Total capital assets | \$ 121,596 | \$ 148,689 |

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Debt Administration

The Academy has no long-term obligations, other than net pension liability previously discussed.

Current Financial Related Activities

The School operates by hiring employees directly and offering education to students in kindergarten through grade 8. The School's sponsor, the North Central Ohio Educational Service Center, receives a fee equal to three percent of aid received through the state foundation. The financial outlook over the next several years is closely related to the School's enrollment and economic conditions in central Ohio.

Contacting the School's Financial Management

This financial report is designed to provide our citizen and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cynthia Mercer, Treasurer for the Focus Learning Academy of Northern Columbus, 1880 East Dublin-Granville Road, Columbus, OH 43229.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

| | |
|---|-----------------------|
| Assets: | |
| Current assets: | |
| Equity in pooled cash and cash equivalents | \$ 210,592 |
| Receivables: | |
| Intergovernmental. | 119,977 |
| Prepayments | <u>5,970</u> |
| Total current assets | <u>336,539</u> |
| Non-current assets: | |
| Depreciable capital assets, net | <u>121,596</u> |
| Total non-current assets. | <u>121,596</u> |
| Total assets. | <u>458,135</u> |
| Deferred outflows of resources: | |
| Pension - STRS. | 1,168,623 |
| Pension - SERS. | <u>382,249</u> |
| Total deferred outflows of resources. | <u>1,550,872</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable. | 23,481 |
| Accrued wages and benefits | 205,414 |
| Pension and postemployment benefit obligation payable. | 25,390 |
| Intergovernmental payable | <u>16,293</u> |
| Total current liabilities | <u>270,578</u> |
| Non-current liabilities: | |
| Net pension liability | <u>4,268,609</u> |
| Total non-current liabilities | <u>4,268,609</u> |
| Total liabilities | <u>4,539,187</u> |
| Net position: | |
| Investment in capital assets. | 121,596 |
| Unrestricted (deficit). | <u>(2,651,776)</u> |
| Total net position (deficit). | <u>\$ (2,530,180)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | |
|--|------------------------------|
| Operating revenues: | |
| Foundation basic aid. | \$ 3,739,987 |
| Other | 1,455 |
| Total operating revenues | <u>3,741,442</u> |
| Operating expenses: | |
| Salaries and wages. | 1,892,442 |
| Fringe benefits. | 778,677 |
| Purchased services. | 2,107,072 |
| Materials and supplies | 186,532 |
| Other. | 91,233 |
| Depreciation | 39,918 |
| Total operating expenses. | <u>5,095,874</u> |
| Operating loss. | <u>(1,354,432)</u> |
| Non-operating revenues: | |
| Federal and State grants. | 881,622 |
| Total non-operating revenues. | <u>881,622</u> |
| Change in net position | (472,810) |
| Net position (deficit) at beginning of year . | <u>(2,057,370)</u> |
| Net position (deficit) at end of year | <u><u>\$ (2,530,180)</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Cash received from State foundation | \$ 3,844,013 |
| Cash received from other operations | 1,455 |
| Cash payments for salaries and wages. | (1,887,100) |
| Cash payments for fringe benefits | (489,900) |
| Cash payments for contractual services | (2,130,436) |
| Cash payments for materials and supplies | (173,686) |
| Cash payments for other expenses | (95,808) |
| | <hr/> |
| Net cash used in operating activities. | (931,462) |
| Cash flows from noncapital financing activities: | |
| Federal and State operating grants. | 860,714 |
| | <hr/> |
| Net cash provided by noncapital financing activities. | 860,714 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (12,825) |
| | <hr/> |
| Net cash used in capital and related financing activities. | (12,825) |
| Net decrease in cash and cash equivalents. | (83,573) |
| Cash and cash equivalents at beginning of year . . . | 294,165 |
| Cash and cash equivalents at end of year | \$ 210,592 |
| | <hr/> <hr/> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss. | \$ (1,354,432) |
| Adjustments: | |
| Depreciation | 39,918 |
| Changes in assets and liabilities and deferred inflows and outflows of resources: | |
| Intergovernmental receivable. | 121,159 |
| Prepayments | (5,970) |
| Accounts payable. | (18,593) |
| Accrued wages and benefits | 5,713 |
| Intergovernmental payable | (10,057) |
| Pension obligation payable | (14,517) |
| Net pension liability | 1,553,143 |
| Deferred outflows - pensions | (1,099,410) |
| Deferred inflows - pensions. | (148,416) |
| | <hr/> |
| Net cash used in operating activities | \$ (931,462) |
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**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL

Focus Learning Academy of Northern Columbus (formerly Life Skills Center of Northern Columbus) (“the School”) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State’s education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio State Board of Education for a period of five years from May 16, 2000 through June 30, 2005. The Buckeye Community Hope Foundation sponsored the School from June 2005 through June 2012. The North Central Ohio Educational Service Center became the sponsor effective July 1, 2012 through June 30, 2016 and has been extended through June 30, 2017. The School and North Central Ohio Educational Service Center approved an additional sponsorship agreement for an additional five years from July 2017 through June 30, 2022 during fiscal year 2017. The School operates under a self-appointing five member Board of Directors (“the Board”). The School’s Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility. The facility is staffed with teaching personnel who provide services to approximately 416 students.

The Ellendale Group, a state nonprofit organization established pursuant to Ohio Rev. Code Chapter 1702, was originally formed in September 2001 to provide a fostering structure for the provision, development and management of one or more community schools in Franklin County, Ohio, and for any and all lawful purposes for which a corporation may be formed under Chapter 1702 of the Revised Code. The Ellendale Group intended to govern approved contracts for community schools with the following names: the Life Skills Center of Columbus, the Life Skills Center of Southwestern Ohio and the Life Skills Center of Montgomery County (name to be changed once location of school was determined).

Pursuant to the instruction and requirement of the Ohio Department of Education with respect to the three (3) Life Skills Centers in the Columbus area, and the assignments of each community school contract, a separate nonprofit entity had to be formed to govern each School. As a result, the Ellendale Group amended its articles of incorporation in June 2002 in order to change the name of the nonprofit to the Life Skills Center of Southeastern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Columbus. A nonprofit was formed May 2002 in the name of the Life Skills Center of Northern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Montgomery County. Also formed in May 2002 was the nonprofit entity the Life Skills Center of Southwestern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Southwestern Ohio.

On June 22, 2006, the Board changed the name to Focus Learning Academy of Northern Columbus from Life Skills Center of Northern Columbus as the results of the change in management company which owns the “Life Skills” trade name.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consists of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, 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 School, see Note 11 for deferred outflows of resources related the School's net pension liability.

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. Deferred inflows of resources related to the School's net pension liability discussed in Note 11. There are no deferred inflows of resources for 2017.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

E. Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts. The School did not have any investments during fiscal year 2017.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the fiscal year. Donated capital assets are recorded at their acquisition value. The School maintains a capitalization threshold of \$5,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful life:

| <u>Description</u> | <u>Estimated Life</u> |
|------------------------|-----------------------|
| Equipment | 10 years |
| Leasehold improvements | 5 years |

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, which includes Economic Disadvantaged Funding and Limited English Proficiency Funding, which are reflected under "state foundation" on the statement of revenues, expenses and changes in net position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2017 school year totaled \$3,739,987. Federal and state grant revenue for fiscal year 2017 was \$881,622.

H. Operating Revenues and Expenses

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

I. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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 School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

K. Prepayments

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

L. Pensions

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2017, the School has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The incorporation of GASB Statement No. 82 the School's financial statements for fiscal year 2017 did not have an effect on the beginning net position of the School.

NOTE 4 - DEPOSITS

The School maintains deposits at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2017, the carrying amount of all School deposits was \$210,592. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2017, all of the School's bank balance of \$241,819 was covered by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this coverage in any of the past three years, nor has there been a significant reduction in insurance coverage from the prior year. Below are the various coverages for the School:

| | |
|---|-------------|
| Commercial general liability: | |
| Per occurrence | \$1,000,000 |
| Aggregate | 2,000,000 |
| Umbrella liability: | |
| Per occurrence | 6,000,000 |
| Aggregate | 6,000,000 |
| Automobile liability, combined single limit | 1,000,000 |
| Commercial property liability, personal property (\$1,000 deductible) | 1,000,000 |
| Excess volunteer liability: | |
| Per occurrence | 1,000,000 |
| Aggregate | 3,000,000 |

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and no deductible.

Worker's Compensation - The School is responsible for paying the State Workers Compensation System a premium for employee injury coverage.

NOTE 6 - RECEIVABLES

At June 30, 2017, the School had intergovernmental receivables in the amount of \$119,977. Intergovernmental receivables consist of refunds and federal assistance for which eligibility requirements have been met by June 30, 2017, and cash was not received by year end. All receivables are considered collectible due to the relatively stable condition of state programs and the current year guarantee of federal funds.

NOTE 7 - PAYABLES

Intergovernmental payables of \$16,293 consist of payroll liabilities due and unpaid to various taxing authorities at fiscal year-end and amounts due to other governments for services provided to the School. Accounts payable consists of obligations totaling \$23,481 at June 30, 2017, incurred during the normal course of conducting operations. Amounts due to be paid to the School Employees Retirement System and State Teachers Retirement System of Ohio are classified as "pension and postemployment obligation payable" and amounted to \$25,390 as of June 30, 2017.

NOTE 8 - ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were \$205,414 at June 30, 2017 which represents wages and employee benefits earned and not paid at June 30, 2017, for school employees who earned wages prior to fiscal year-end and certain School teachers paid over a 12 month period.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS

The School's long-term obligations during the fiscal year consist of the following:

| | Balance 6/30/16 | Increases | Decreases | Balance 6/30/17 | Amount Due in One Year |
|-----------------------|--------------------|--------------|-----------|--------------------|------------------------------|
| Net pension liability | \$ 2,715,466 | \$ 1,553,143 | \$ - | \$ 4,268,609 | \$ - |

See Note 11 for detail on the net pension liability.

NOTE 10 - CAPITAL ASSETS

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

| | Balance 6/30/16 | Additions | Deductions | Balance 06/30/17 |
|--|--------------------|-------------|------------|---------------------|
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 28,086 | \$ - | \$ - | \$ 28,086 |
| Leasehold improvements | 179,130 | 12,825 | - | 191,955 |
| Total capital assets being depreciated | 207,216 | 12,825 | - | 220,041 |
| Less: accumulated depreciation | | | | |
| Equipment | (9,738) | (2,809) | - | (12,547) |
| Leasehold improvements | (48,789) | (37,109) | - | (85,898) |
| Total accumulated depreciation | (58,527) | (39,918) | - | (98,445) |
| Capital assets, net | \$ 148,689 | \$ (27,093) | \$ - | \$ 121,596 |

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire 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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was \$73,231 for fiscal year 2017. Of this amount, \$1,827 is reported as pension and postemployment benefit obligations payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The School's contractually required contribution to STRS was \$188,358 for fiscal year 2017. Of this amount, \$23,563 is reported as pension and postemployment benefit obligations payable.

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

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

| | SERS | STRS | Total |
|--|--------------|--------------|--------------|
| Proportion of the net pension liability prior measurement date | 0.01317280% | 0.00710572% | |
| Proportion of the net pension liability current measurement date | 0.01530170% | 0.00940658% | |
| Change in proportionate share | 0.00212890% | 0.00230086% | |
| Proportionate share of the net pension liability | \$ 1,119,943 | \$ 3,148,666 | \$ 4,268,609 |
| Pension expense | \$ 174,850 | \$ 392,056 | \$ 566,906 |

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

| | SERS | STRS | Total |
|--|------------|--------------|--------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 15,106 | \$ 127,221 | \$ 142,327 |
| Net difference between projected and actual earnings on pension plan investments | 92,379 | 261,422 | 353,801 |
| Changes of assumptions | 74,762 | - | 74,762 |
| Difference between District contributions and proportionate share of contributions/change in proportionate share | 126,771 | 591,622 | 718,393 |
| School contributions subsequent to the measurement date | 73,231 | 188,358 | 261,589 |
| Total deferred outflows of resources | \$ 382,249 | \$ 1,168,623 | \$ 1,550,872 |

\$261,589 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|-----------------------------|------------|------------|--------------|
| Fiscal Year Ending June 30: | | | |
| 2018 | \$ 95,966 | \$ 214,611 | \$ 310,577 |
| 2019 | 95,901 | 214,610 | 310,511 |
| 2020 | 90,594 | 314,922 | 405,516 |
| 2021 | 26,557 | 236,122 | 262,679 |
| Total | \$ 309,018 | \$ 980,265 | \$ 1,289,283 |

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - 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, 2016, are presented below:

| | |
|--|--|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (level percent of payroll) |

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 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 | <u>10.00</u> | 3.00 |
| Total | <u>100.00 %</u> | |

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

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

| | 1% Decrease <u>(6.50%)</u> | Current Discount Rate <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|--|-------------------------------|---|-------------------------------|
| School's proportionate share of the net pension liability | \$ 1,482,735 | \$ 1,119,943 | \$ 816,271 |

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return *</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | <u>100.00 %</u> | <u>7.61 %</u> |

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

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|--|------------------------|
| School's proportionate share of the net pension liability | \$ 4,184,321 | \$ 3,148,666 | \$ 2,275,030 |

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. There was no SERS Surcharge obligation at June 30, 2017.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$4,566, respectively. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 13 - CONTINGENCIES

A. Grants

The School receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 13 – CONTINGENCIES (Continued)

B. Full Time Equivalency

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

C. Litigation

The School is involved in no material litigation as either plaintiff or defendant.

NOTE 14 - TAX EXEMPT STATUS

The School has been approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

NOTE 15 - SPONSORSHIP FEES

The School contracts with the North Central Ohio Educational Service Center ("NCOESC") for sponsorship beginning July 1, 2012 through June 30, 2017. NCOESC is to provide oversight, monitoring, and technical assistance for the School. The sponsorship fee is calculated as three percent of annual school foundation revenue and amounted to \$127,666 paid to NCOESC during fiscal year 2017.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - OPERATING LEASE

NCOESC entered into an operating lease agreement on August 5, 2014 with Prime Investments II, LTD. to rent a building located at 1880 E. Dublin Granville Road, Columbus, Ohio. The lease is for a five year period. The School entered into a sublease agreement with NCOESC. The School made \$270,776 in rental payments to Prime Investments II, LTD. in fiscal year 2017. Future lease payments are as follows:

| | <u>Lease Payment</u> |
|-----------------------------|----------------------|
| Fiscal Year Ending June 30: | |
| 2018 | \$ 204,315 |
| 2019 | 210,558 |
| 2020 | <u>17,594</u> |
| Total | <u>\$ 432,467</u> |

During fiscal year 2017, the School entered into a lease agreement with Ashland University to lease rooms located at 1900 E. Dublin Granville Road. The lease term began on August 22, 2016 and ended on June 30, 2017. Under the lease, the School paid \$100 per week per room rented. During fiscal year 2017, the School paid \$24,260 in lease payments to Ashland University.

NOTE 17 - PURCHASED SERVICES

For the period July 1, 2016, through June 30, 2017, purchased service expenses were for the following services:

| | |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 754,677 |
| Property services | 374,213 |
| Travel and meetings | 12,500 |
| Communications | 14,897 |
| Utilities | 50,646 |
| Contracted trade | 334,639 |
| Transportation | <u>565,500</u> |
| Total | <u>\$ 2,107,072</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|-------------|-------------|-------------|
| School's proportion of the net pension liability | 0.01530170% | 0.01317280% | 0.01176000% | 0.01176000% |
| School's proportionate share of the net pension liability | \$ 1,119,943 | \$ 751,653 | \$ 595,167 | \$ 699,329 |
| School's covered-employee payroll | \$ 470,929 | \$ 396,571 | \$ 341,739 | \$ 245,014 |
| School's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 237.82% | 189.54% | 174.16% | 285.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.98% | 69.16% | 71.70% | 65.52% |

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 School's measurement date which is the prior year-end.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|
| School's proportion of the net pension liability | 0.00940658% | 0.00710572% | 0.00683846% | 0.00683846% |
| School's proportionate share of the net pension liability | \$ 3,148,666 | \$ 1,963,813 | \$ 1,663,350 | \$ 1,981,372 |
| School's covered-employee payroll | \$ 1,056,436 | \$ 934,221 | \$ 698,700 | \$ 654,869 |
| School's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 298.05% | 210.21% | 238.06% | 302.56% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.80% | 72.10% | 74.70% | 69.30% |

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 School's measurement date which is the prior year-end.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL CONTRIBUTIONS:
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 73,231 | \$ 65,930 | \$ 52,268 | \$ 47,365 |
| Contributions in relation to the contractually required contribution | <u>(73,231)</u> | <u>(65,930)</u> | <u>(52,268)</u> | <u>(47,365)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered-employee payroll | \$ 523,079 | \$ 470,929 | \$ 396,571 | \$ 341,739 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 13.18% | 13.86% |

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| \$ 33,910 | \$ 37,352 | \$ 101,362 | \$ 74,279 | \$ 74,023 | \$ 34,780 |
| <u>(33,910)</u> | <u>(37,352)</u> | <u>(101,362)</u> | <u>(74,279)</u> | <u>(74,023)</u> | <u>(34,780)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 245,014 | \$ 277,710 | \$ 806,380 | \$ 548,589 | \$ 752,266 | \$ 354,175 |
| 13.84% | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% |

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL CONTRIBUTIONS:
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|-----------------|
| Contractually required contribution | \$ 188,358 | \$ 147,901 | \$ 130,791 | \$ 90,831 |
| Contributions in relation to the contractually required contribution | <u>(188,358)</u> | <u>(147,901)</u> | <u>(130,791)</u> | <u>(90,831)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered-employee payroll | \$ 1,345,414 | \$ 1,056,436 | \$ 934,221 | \$ 698,700 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 13.00% |

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 85,133 | \$ 59,159 | \$ 67,047 | \$ 67,295 | \$ 33,414 | \$ 17,200 |
| <u>(85,133)</u> | <u>(59,159)</u> | <u>(67,047)</u> | <u>(67,295)</u> | <u>(33,414)</u> | <u>(17,200)</u> |
| <u>\$ -</u> |
| \$ 654,869 | \$ 455,069 | \$ 515,746 | \$ 517,654 | \$ 257,031 | \$ 132,308 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

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) discount rate was reduced from 7.75% to 7.50%.

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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

December 28, 2017

To the Board of Directors
Focus Learning Academy of Northern Columbus
Franklin County, Ohio
1880 E. Dublin Granville Road
Columbus, OH 43229

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Focus Learning Academy of Northern Columbus, Franklin County, Ohio (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Dublin, Ohio

December 28, 2017

To the Board of Directors
Focus Learning Academy of Northern Columbus
Franklin County, Ohio
1880 E. Dublin Granville Road
Columbus, OH 43229

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the *Uniform Guidance***

Report on Compliance for Each Major Federal Program

We have audited the Focus Learning Academy of Northern Columbus', Franklin County, Ohio (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Rea & Associates, Inc.

Dublin, Ohio

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| Federal Grantor/ Pass Through Grantor/ Program Title | CFDA Number | Grant Year | Disbursements | Total Provided to Subrecipients |
|--|----------------|---------------|---------------|---------------------------------------|
| U. S. Department of Education | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Title I | 84.010 | 2017 | \$ 286,025 | \$ - |
| Title I School Improvement Sub A | 84.010 | 2017 | 90,000 | - |
| Total Title I | | | 376,025 | - |
| <i>Special Education Cluster:</i> | | | | |
| IDEA Part B | 84.027 | 2017 | 32,476 | - |
| Total Special Education Cluster | | | 32,476 | - |
| Title III English Language Acquisition State Grant | 84.365 | 2017 | 63,301 | - |
| Title II-A Improving Teacher Quality | 84.367 | 2017 | 75,023 | - |
| <i>Total U.S. Department of Education</i> | | | 546,825 | - |
| U. S. Department of Agriculture | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| School Breakfast Program | 10.553 | 2017 | 127,849 | - |
| National School Lunch Program | 10.555 | 2017 | 204,953 | - |
| Total Child Nutrition Cluster | | | 332,802 | - |
| <i>Total U.S. Department of Agriculture</i> | | | 332,802 | - |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 879,627 | \$ - |

See the Notes to the Schedule of Expenditures of Federal Awards.

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Focus Learning Academy of Northern Columbus (the “School”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C – Transfers

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2017, the ODE authorized the following transfers:

| CFDA Number / Grant Title | Grant Year | Transfer Out | Transfer In |
|---|---------------|--------------|-------------|
| 84.027 IDEA Part B | 2016 | \$ 46,246 | |
| 84.027 IDEA Part B | 2017 | | \$ 46,246 |
| 84.365 Title III English Language Acquisition | 2016 | 22,773 | |
| 84.365 Title III English Language Acquisition | 2017 | | 22,773 |
| 84.367 Title II-A Improving Teacher Quality | 2016 | 29,110 | |
| 84.367 Title II-A Improving Teacher Quality | 2017 | | 29,110 |
| | | \$ 98,129 | \$ 98,129 |

Note D – Child Nutrition Cluster

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

| <i>Financial Statements</i> | | |
|-----------------------------|--|------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |

| <i>Federal Awards</i> | | |
|-----------------------|--|---|
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Title I Grants – CFDA 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$750,000 Type B: All others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | No |

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.

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Dave Yost • Auditor of State

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2018**