BROOKWOOD ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

BROOKWOOD ACADEMY
FRANKLIN COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Brookwood Academy
Franklin County
2685 E. Livingston Ave.
Columbus, OH 43209

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brookwood Academy, Franklin County, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the financial statements, on December 17, 2018 the Academy's Board of Directors voted to close the Academy effective June 28, 2019. The financial statements do not include any adjustments that might result from this pending closure. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the financial statements, for June 30 2018, the Academy converted their financial statements from a cash to an accrual basis of accounting. Adopting accrual basis of accounting included adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

The management's discussion and analysis of Brookwood Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Academy's financial performance.

Key Financial Highlights of the Academy

Key 2018 financial highlights for the Academy are as follows:

- The Academy converted their financial statements from cash basis in 2017 to full accrual in 2018. The implementation of generally accepted accounting principles reduced the net position to ($3,471,675) from a cash balance net position of $10,933.

- The Academy saw the restated net position increase by $1,996,638 during fiscal year 2018. This increase was the result of a significant correction to the state foundation revenue that the Academy received during the year.

- The Academy is required to report a net pension liability and OPEB liability of $2,144,423 as there are components that significantly reduce the Academy's net position. By removing the items related to GASB 68 and GASB 75, the Academy would report a net position of $600,205. The net position increase includes a negative pension and OPEB expense of $609,950.

- The total assets of the Academy were $1,321,082 as of June 30, 2018 which is up from the restated fiscal year 2017 amount of $43,614. The Academy reports a large increase in cash balance from the larger foundation revenue.

- The Academy filed bankruptcy in fiscal year 2017 and had over $640,000 in long term vendor payables that were part of the filing. The Ohio Department of Education corrected the foundation revenue which allowed the Academy to enter into payment agreements with these five vendors. At the end of fiscal year 2018, $369,781 remained on those obligations and will be repaid in fiscal year 2019.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of four components: the management discussion and analysis, the basic financial statements, notes to those statements and required supplementary information. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the Academy's assets, deferred outflows, liabilities and deferred inflows, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Academy's net position changed during the most recent fiscal year. The statement of cash flows presents the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

Financial Analysis

Table 1 provides a summary of the Academy's net position at fiscal year-end for fiscal years 2018 and 2017 (GAAP basis).

	2018	Restated 2017
Assets:		
Current Assets	$ 1,321,082	$ 43,614
Deferred Outflows of Resources	444,424	483,398
Liabilities		
Current Liabilities	540,707	287,138
Long-term Liabilities		
Net Pension Liability	1,683,152	2,602,687
OPEB Liability	461,271	565,904
Other Long-term Liabilities	180,170	542,958
Total Liabilities	2,865,300	3,998,687
Deferred Inflows of Resources	375,243	-
Net Position:		
Unrestricted	(1,475,037)	(3,471,675)
Total Net Position	$ (1,475,037)	$ (3,471,675)

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. The Academy also restated the fiscal year 2017 statement of net position for generally accepted accounting principles. This implementation and change in accounting principles also has the effect of restating net position at June 30, 2017 from $10,933 to ($3,471,675).

Other than the pension/OPEB items, the Academy saw total restated assets increase by $1,277,468 seeing the cash balance increase with the state foundation revenue corrections. The Academy realized a jump in the current liabilities by $253,569 as the $369,781 of the long-term vendor payables that were part of the 2017 bankruptcy filing will be repaid off in fiscal year 2019 and were moved from the long-term debt section to current liabilities. The Academy did see the amounts reported for accrued wages and intergovernmental payables increase by $32,450 as the Academy was able to fill more staffing positions due to the increased revenues.

Financial Analysis

Table 2 shows the change in net position for the fiscal years ended June 30, 2018 and June 30, 2017. Please note the fiscal year 2017 information is presented for comparative purposes but is reported on the cash basis of accounting; whereas, the fiscal year 2018 numbers are reported on accrual basis.

Changes in Net Position

	2018	2017
Operating Revenues:		
State Foundation	$ 2,994,990	$ 1,601,496
Other	2,421	33,347
Total Operating Revenues	2,997,411	1,634,843
Operating Expenses:		
Salaries	898,327	857,452
Fringe Benefits	(407,779)	179,422
Purchased Services	689,581	724,939
Materials and Supplies	19,261	76,823
Other	11,889	6,934
Total Operating Expenses	1,211,279	1,845,570
Operating Income (Loss)	1,786,132	(210,727)
Nonoperating Revenues (Expenses)		
Federal and State Grants	212,980	220,449
Loan Proceeds	-	372,778
Principal Retirement	-	(375,601)
Interest Expenses	(2,474)	(2,926)
Total Nonoperating Revenues (Expenses)	210,506	214,700
Change in Net Position	1,996,638	3,973
Net Position, Beginning of Year	10,933	6,960
GAAP Restatement	(3,482,608)	-
Net Position, End of the Year	$ (1,475,037)	$ 10,933

The Academy saw the student population increased from 87 to 98 FTE and saw the foundation revenue corrected over several years which meant that more revenue was provide to the Academy during fiscal year 2018. The fiscal year 2018 fringe benefits, excluding pension/OPEB amounts, were $202,172 for the year. The largest other difference was the lack of loan proceeds during fiscal year 2018. The Academy took out loans to make payroll and pay invoices during fiscal year 2017 before they filed bankruptcy.

Budget Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on a bi-annual basis.

Capital Assets

At the end of 2018, the Academy had no capital assets.

Debt

At June 30, 2018, the Academy had one line of credit at US Bank for $49,145. The Academy also reported the long-term vendor payables as debt since they were included in the bankruptcy proceeding totaling $510,781. For more information on the Academy's debt refer to Note 12 of the notes to the financial statements.

Current Financial Issues

The Academy continues to see strong enrollment. The Academy received funding in 2018 based on 98 FTE students, which decreased to 84 as of the November 2018 foundation report. This reduction is expected to reduce the overall foundation revenue by $368,000.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the Academy, 2685 East Livingston Avenue, Columbus, Ohio 43209.

BROOKWOOD ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF NET POSITION

AS OF JUNE 30, 2018

Assets:	
Current assets:	
Cash and cash equivalents	$ 1,278,633
Intergovernmental receivable	42,449
Total current assets	1,321,082
Total Assets	1,321,082
Deferred Outflows of Resources:	
Pension	433,183
OPEB	11,241
Total Deferred Outflows of Resources	444,424
Liabilities:	
Current liabilities	
Accounts payable	7,920
Accrued wages and benefits payable	140,989
Intergovernmental payable	21,042
Current portion of long term debt	370,756
Total current liabilities	540,707
Long term liabilities	
Net Pension liability	1,683,152
OPEB liability	461,271
Other long term liabilities	180,170
Total long term liabilities	2,324,593
Total Liabilities	2,865,300
Deferred Inflows of Resources:	
Pension	305,643
OPEB	69,600
Total Deferred Inflows of Resources	375,243
Net Position:	
Unrestricted	(1,475,037)
Total Net Position	$ (1,475,037)

See accompanying notes to the basic financial statements

BROOKWOOD ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:		
Foundation payments	$	2,994,990
Other operating revenues		2,421
Total operating revenues		2,997,411
Operating expenses:		
Salaries		898,327
Fringe benefits		(407,779)
Purchased services		689,581
Materials and supplies		19,261
Other operating expenses		11,889
Total operating expenses		1,211,279
Operating Income		1,786,132
Non-Operating revenues and expenses:		
Federal grants		212,980
Interest and fiscal charges		(2,474)
Total non-operating revenues and expenses		210,506
Change in net position		1,996,638
Net position at beginning of year - restated		(3,471,675)
Net position at end of year	$	(1,475,037)

See accompanying notes to the basic financial statements

BROOKWOOD ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 2,999,563
Cash received from other operating revenues	8,891
Cash payments for personal services	(1,077,064)
Cash payments for contract services	(695,662)
Cash payments for supplies and materials	(17,617)
Cash payments for other expenses	(11,762)
Net cash provided by operating activities	1,206,349
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	200,357
Proceeds from line of credit	3,691
Principal paid on debt obligations	(140,223)
Interest paid on debt obligations	(2,474)
Net cash provided by noncapital financing activities	61,351
Net change in cash and cash equivalents	1,267,700
Cash and Cash Equivalents at beginning of year	10,933
Cash and Cash Equivalents at end of year	1,278,633

Reconciliation of operating income to net cash provided by operating activities:

Operating Income	1,786,132
Adjustments to reconcile operating income to net cash used for operating activities:	
Change in assets and liabilities:	
Decrease in intergovernmental receivable	2,855
Decrease in deferred outflows	38,974
Decrease in accounts payable	(5,137)
Increase in accrued wages and benefits	28,000
Increase in intergovernmental payable	4,450
Increase in deferred inflows	375,243
Decrease in net pension liability	(919,535)
Decrease in OPEB liability	(104,633)
Net cash provided by operating activities	$ 1,206,349

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

Brookwood Academy, Franklin County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a high quality education to its students and contributes significantly to Ohio's effort to provide quality education opportunities for learners in the areas of academic development, civic leadership, and a lifetime of productive work. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. The Academy's mission is to educate its students using a "classical" education model that empowers students to venture into the world armed with adequate academic and social skills to function in the adult world. The target student population consists of students, grades 3-12, who due to behavioral, academic, emotional and/or developmental issues struggle to be successful academically and/or socially in large group settings. These students are typically referred to as "at risk", 504 plan and/or special education students. The Academy provides each student an individually tailored academic program that is implemented in a relatively small student body with classroom sizes from 4-8. The Academy may acquire facilities as needed and contract for any services necessary for operation

The Academy is not considered a component unit for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus".

The Academy was approved for operation under a contract with the Reynoldsburg City School District on May 21, 2012 to begin operation on July 1, 2012 for a period of one academic year and was renewed for a period of five years on May 21, 2013. The Academy switched sponsors to Office of School Sponsorship (the "Sponsor") for July 1, 2017 to June 30, 2019. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy is designed to operate under the direction of a self-appointed six-member Board of Directors (the "Board"). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 12 non-certified staff members and 14 certificated teaching personnel who provide services to 98 full time equivalent students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, net position and cash flows.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all 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 (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

D. Cash and Investments

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. The Academy has no investments.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of $5,000. The Academy does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

Description	Estimated Lives
Building and Improvements	25
Furniture and Equipment	10

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

Amounts awarded under the items above for the year ended June 30, 2018 totaled $3,207,970.

G. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Deferred Outflows/Inflows of Resources

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the statement of net position. (See Notes 9 and 10)

I. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

J. Estimates

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

K. Operating Revenues and Expenses

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). These changes were incorporated in the Academy's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement did effect on net position as reported on June 30, 2017 presented in the following table.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

The Academy converted their financial statements from cash basis to accrual basis of accounting in fiscal year 2018 as well. This conversion reports receivables and payables as well as long term debt obligations that included net pension liability, OPEB liability and long-term debts.

Net Position June 30, 2017	$10,933
Adjustments:	
Receivables	32,681
Deferred Outflows for Pensions/OPEB	483,398
Payables	(142,638)
Long-Term Debt	(687,458)
Net Pension Liability	(2,602,687)
Net OPEB Liability	(565,904)
Restated Net Position June 30, 2017	($3,471,675)

NOTE 4 – CASH AND CASH EQUIVALENTS

At fiscal year end June 30, 2018, the carrying amount of the Academy's deposits was $1,278,633, and the bank balance was $1,407,181. Of the bank balance, $1,157,181 was not exposed to custodial credit risk as discussed below, while $250,000 was covered by Federal Deposit Insurance.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 5 – PURCHASED SERVICES

For the fiscal year ended June 30, 2018, purchased services expenses were are as follows:

Food Service	$	57,360
Professional and Technical		66,334
Sponsorship		34,134
Dues		11,890
Legal Services		69,698
Communications		3,411
Transportation		339,893
Property Services		104,890
Other		1,971
	$	689,581

NOTE 6 – RECEIVABLES

Receivables at June 30, 2018, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considers collectable in full. The largest amount is related to the federal grants.

NOTE 7 – SPONSORSHIP AGREEMENT

The Academy has entered into a sponsorship agreement with the Office of School Sponsorship (the Sponsor), whereby, the Sponsor shall receive compensation for services provided to the Academy. The Sponsor shall provide the Academy Treasurer with fiscal oversight and administrative support related to the following:

A. Support to ensure that the financial records of the Academy are maintained in the same manner as are financial records of Academy, pursuant to rules of the Auditor of State.

B. Compliance with the policies and procedures regarding internal financial control of the Academy.

C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year, the Academy paid the Sponsor $34,134 in sponsorship fees.

NOTE 8 – RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2018, the Academy contracted with Cincinnati Insurance Company for the following insurance coverage:

Coverage	Limits of Coverage
General liability:	
Each occurrence	$ 1,000,000
Aggregate	2,000,000
Employee benefits liability:	
Each occurrence	1,000,000
Aggregate	1,000,000

There was no significant reduction in coverage from the prior year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

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

NOTE 9 -- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit 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.

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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 or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. 0.5 percent was allocated to the Health Care Fund for fiscal year 2018.

The Academy's contractually required contribution to SERS was $61,502 for fiscal year 2018. Of this amount $7,360 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Academy’s contractually required contribution to STRS was $60,738 for fiscal year 2018. Of this amount $11,443 is reported as an intergovernmental payable.

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability -			
prior measurement date	0.012929%	0.00494841%	
Proportion of the Net Pension Liability -			
current measurement date	0.012349%	0.00397945%	
Change in proportionate share	-0.000580%	-0.000969%	
Proportionate Share of the Net			
Pension Liability	$737,825	$945,327	$1,683,152
Pension Expense - 2018	(95,040)	(468,637)	(563,677)
Pension Expense - 2017	107,294	124,783	232,077
Change in Pension Expense	$ (202,334)	$ (593,420)	$ (795,754)

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$32,566	$33,469	$66,035
Changes in assumptions	38,154	206,754	244,908
Academy contributions subsequent to the measurement date	61,502	60,738	122,240
Total Deferred Outflows of Resources	$132,222	$300,961	$433,183
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$3,502	$40,975	$44,477
Differences between expected and actual experience	0	7,618	7,618
Changes in proportion share and difference between Academy contributions and proportionate share of contributions	26,103	227,445	253,548
Total Deferred Inflows of Resources	$29,605	$276,038	$305,643

$122,240 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$19,937	($1,503)	$18,434
2020	34,468	34,865	69,333
2021	3,908	(28,831)	(24,923)
2022	(17,198)	(40,346)	(57,544)
Total	$41,115	($35,815)	$5,300

NOTE 9 -- 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, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 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)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results on 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 were the same as the prior measurement date: (a) the assumed rate of inflation was 3.00%, (b) payroll growth assumption was 3.50%, (c) assumed real wage growth was 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members used 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 followed 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 used the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

NOTE 9 -- 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:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$1,023,910	$737,825	$498,171

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.25 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study, effective June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.61 %

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

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$1,355,094	$945,327	$600,160

Change between Measurement Date and Report Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero.

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's contractually required contribution to SERS was $2,278 for fiscal year 2018. Of this amount $273 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on the School's share of contributions to the OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability - current measurement date	0.011402%	0.00379450%	
Proportionate Share of the Net OPEB Liability	$306,008	$155,263	$461,271
OPEB Expense (Income)	1,105	(47,378)	(46,273)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$8,963	$8,963
Academy contributions subsequent to the measurement date	2,278	0	2,278
Total Deferred Outflows of Resources	$2,278	$8,963	$11,241
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$811	$6,636	$7,447
Changes in assumptions	29,039	12,507	41,546
Changes in proportion share and difference between Academy contributions and proportionate share of contributions	20,607	0	20,607
Total Deferred Inflows of Resources	$50,457	$19,143	$69,600

$2,278 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($18,190)	($2,250)	($20,440)
2020	(18,190)	(2,250)	(20,440)
2021	(13,873)	(2,250)	(16,123)
2022	(204)	(2,250)	(2,454)
2023	0	(590)	(590)
Thereafter	0	(590)	(590)
Total	($50,457)	($10,180)	($60,637)

Actuarial Assumptions - SERS

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Academy's proportionate share of the net OPEB liability	$369,543	$306,008	$255,671

	1% Decrease (6.5% decreasing to 4.0 %)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0 %)
Academy's proportionate share of the net OPEB liability	$248,302	$306,008	$382,382

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments July 1, 2017 (COLA)	0.0 percent, effective
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.61 %

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Academy's proportionate share of the net OPEB liability	$208,439	$155,263	$113,238

	1% Decrease	Current Trent Rate	1% Increase
Academy's proportionate share of the net OPEB liability	$107,870	$155,263	$217,638

NOTE 11 – DEBT

The Academy has a line of credit with US Bank during fiscal year 2018. The Academy also has several vendor payables associated with bankruptcy proceedings. The line of credit is secured by the Academy's building and other assets. The principal paid towards the debt obligations were $140,223 during fiscal year 2018. Long-term debt outstanding for the Academy as of June 30, 2018 was as follows:

Description	Restated Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Due Within One Year
Line of Credit	$47,177	$3,691	$1,723	$49,145	$975
Vendor Payables	640,281	0	138,500	501,781	369,781
Net Pension Liability					
SERS	946,305	0	208,480	737,825	0
STRS	1,656,382	0	711,055	945,327	0
Net OPEB Liability					
SERS	353,082	0	47,074	306,008	0
STRS	212,822	0	57,559	155,263	0
Total	$3,856,049	$3,691	$1,164,391	$2,695,349	$370,756

The line of credit from US Bank was executed on April 29, 2013, in the amount of $50,000. The line of credit was repaid on August 20, 2018 and closed out.

The vendor payables consisted of three vendors: Brookwood Presbyterian Church $63,250 and Reynoldsburg School District $270,531 were paid off by July 31, 2018. The other payable is being repaid at $3,000/mo with a final payment date of February 2023. Baybrook has a $168,000 balance at June 30, 2018.

The Academy reports a portion of the unfunded net pension liability with the two retirement systems as described in Note 9.

The Academy reports a portion of the unfunded net OPEB liability with the two retirement systems as described in Note 10.

NOTE 12 – CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability.

NOTE 12 – CONTINGENCIES (continued)

B. Academy Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The 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 performed such a review on the Academy for fiscal year 2018.

NOTE 13 – LEASE AGREEMENT

On July 1, 2017, the Academy entered into a one-year agreement with Brookwood Presbyterian Church for the lease of office space and classrooms including utilities and custodial services at the Brookwood Campus at Brookwood Presbyterian Church. The monthly lease payments were $8,258. The agreement allows for payments to be made in part, delayed or waived by the Brookwood Presbyterian Church for any given month by the request of the Brookwood Academy. The Academy paid Brookwood Presbyterian Church $99,232 for use of the space during fiscal year 2018.

NOTE 14 – EMPLOYEE BENEFITS

The Academy provides one paid day off for every 14 worked per academic year to all non-administrators. Six of those are sick days and the remainder are personal days. Employees will be reimbursed for each unused personal day at the end of the academic year at a rate equal to the amount paid to daily substitute teachers for that year. Employees receive no reimbursement for unused sick days; however, those days roll over from year-to-year. Administrators receive six sick days and twelve vacation days per academic but are not reimbursed for any unused time.

The Academy offers health insurance through Aetna. There are six plans available for the employee which costs the Academy $360/mo for employee only, $755/mo for employee plus spouse, $710/mo for employee plus children or $1,110/mo for employee plus spouse plus children. The Academy pays $400 per employee no matter the plan selected.

NOTE 15 – BANKRUPTCY TERMINATION

In May 2017 the Academy passed a resolution to file for Chapter 11 bankruptcy protection from seven vendors for a total of $710,955. The Court approved the Academy's petition on August 28, 2017.

On March 20, 2018, the Academy was released from the bankruptcy filing. The Academy has a settlement agreement that includes repayment schedules for the vendors included in the bankruptcy filing. See Note 11 for additional detail on the vendor payables.

NOTE 16 – SUBSEQUENT EVENTS

On December 17, 2018, the Academy's Board of Directors voted to close the Academy effective June 28, 2019.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Fiscal Two Years (1)

	2017	2016
The Academy's Proportion of the Net Pension Liability	0.012349%	0.012929%
The Academy's Proportion Share of the Net Pension Liability	$ 737,825	$ 946,305
The Academy's Covered Payroll	$ 443,329	$ 470,400
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.43%	201.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%

(1) Information prior to 2016 is not available

Amount presented as of the Academy's measurement date, which is the prior fiscal year.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's Pension Contributions
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 61,502	$ 62,066	$ 65,856	$ 82,467	$ 67,888	$ 59,994
Contributions in Relation to the Contractually Required Contribution	(61,502)	(62,066)	(65,856)	(82,467)	(67,888)	(59,994)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 455,570	$ 443,329	$ 470,400	$ 625,698	$ 489,812	$ 433,483
Contributions as a Percentage of Covered-Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

(1) The Academy's first fiscal year was 2013.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Fiscal Two Years (1)

	2017	2016
The Academy's Proportion of the Net Pension Liability	0.00397945%	0.00494841%
The Academy's Proportion Share of the Net Pension Liability	$ 945,327	$ 1,656,382
The Academy's Covered Payroll	$ 449,221	$ 585,321
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	210.44%	282.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%

(1) Information prior to 2016 is not available

Amount presented as of the Academy's measurement date, which is the prior fiscal year.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's Pension Contributions
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 60,738	$ 62,891	$ 81,945	$ 92,063	$ 82,828	$ 63,119
Contributions in Relation to the Contractually Required Contribution	(60,738)	(62,891)	(81,945)	(92,063)	(82,828)	(63,119)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 433,843	$ 449,221	$ 585,321	$ 657,593	$ 637,138	$ 485,531
Contributions as a Percentage of Covered-Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

(1) The Academy's first fiscal year was 2013.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2017	2016
The Academy's Proportion of the Net OPEB Liability	0.011402%	0.012387%
The Academy's Proportion Share of the Net OPEB Liability	$ 306,008	$ 353,082
The Academy's Covered Payroll	$ 443,329	$ 470,400
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	69.03%	75.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2016 is not available

Amount presented as of the Academy's measurement date, which is the prior fiscal year.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 2,278	$ -	$ -	$ 5,131	$ 686	$ 694
Contributions in Relation to the Contractually Required Contribution	(2,278)	-	-	(5,131)	(686)	(694)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 455,570	$ 443,329	$ 470,400	$ 625,698	$ 489,812	$ 433,483
Contributions as a Percentage of Covered-Payroll	0.50%	0.00%	0.00%	0.82%	0.14%	0.16%

(1) The Academy's first fiscal year was 2013.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2017	2016
The Academy's Proportion of the Net OPEB Liability	0.003979450%	0.003979450%
The Academy's Proportion Share of the Net OPEB Liability	$ 155,263	$ 212,822
The Academy's Covered Payroll	$ 449,221	$ 585,321
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	34.56%	36.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2016 is not available

Amount presented as of the Academy's measurement date, which is the prior fiscal year.

Brookwood Academy
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ -	$ -	$ -	$ -	$ 6,371	$ 4,855
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(6,371)	(4,855)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 433,843	$ 449,221	$ 585,321	$ 657,593	$ 637,138	$ 485,531
Contributions as a Percentage of Covered-Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

(1) The Academy's first fiscal year was 2013.

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

Brookwood Academy
Franklin County
2685 E. Livingston Ave.
Columbus, Ohio 43209

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Brookwood Academy, Franklin County, (the Academy) as of and for the year ended June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated March 19, 2019. We noted the Academy's financial statements have been prepared assuming they will continue as a going concern and on December 17, 2018, the Academy's Board of Directors voted to close the Academy effective June 28, 2019. In addition, the Academy converted their financial statements from cash basis to accrual basis of accounting and adopted new accounting guidance in Governmental Accounting Standards Board (GABS) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2019

Brookwood Academy
P.O. Box 91201
2685 E. Livingston Ave.
Columbus, Ohio 43209
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Contrary to **Ohio Administrative Code Section 117-2-03(B)**, Academy did not prepare its fiscal year 2017 financial report in accordance with accounting principles generally accepted in the United States of America.	Fully Corrected	Brookwood Academy filed in accordance with GAAP standards for fiscal year 2018.

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OHIO AUDITOR OF STATE
KEITH FABER

BROOKWOOD ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 9, 2019