Menlo Park Academy

Cuyahoga County, Ohio

Audited Financial Statements
For the Fiscal Year Ended June 30, 2018

To the Board of Directors
Menlo Park Academy
2149 West 53rd Street
Cleveland, OH 44102

We have reviewed the *Independent Auditor's Report* of the Menlo Park Academy, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

April 16, 2019

This page intentionally left blank.

MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO

TABLE OF CONTENTS

This page intentionally left blank.

February 21, 2019

To the Board of Directors
Menlo Park Academy
2149 West 53rd Street
Cleveland, OH 44102

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC, which represent 37 percent, 21 percent, and 2 percent, respectively, of the assets, net position, and revenues of the School's financial statements. Those statements were audited by other auditors whose report was been furnished to us, and our opinion, in so far as it relates to TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of TAE Manager, LLC; West 53rd Holdings, LLC; and West 53rd Master Tenant LLC were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the financial statements, the School restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75, "*Accounting and Financial reporting for Postemployment Benefits other than Pensions.*" Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Schedule of the School's Proportionate Share of the Net Pension Liability, Schedule of the School Contributions- Pension, Schedule of the School's Proportionate Share of the Net OPEB Liability, and Schedule of the School Contributions - OPEB* on pages 3-10, 49-50, 51-52, 53-54 and 55-56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of the financial performance for Menlo Park Academy and its blended component units (collectively "the School") provides an overall review of the School's financial activities for the fiscal years ended June 30, 2018 and December 31, 2017, respectively. The component units are made up of West 53rd Holdings, LLC, TAE Manager, LLC, and West 53rd Master Tenant, LLC and are more fully described in the Notes to the Financial Statements. The intent of this discussion and analysis is to look at the financial performance of the School as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2017-18 school year are as follows:

- Total Assets and Deferred Outflows of Resources increased $645,530 primarily as a result of increased capital assets in the component units that were tied to the School's major facility construction project partially offset by decreases in cash utilized within that project.
- Total Liabilities and Deferred Inflows of Resources increased $317,364 from restated balances primarily as a result of increases in accrued expenses offset by changes in pension/OPEB accruals from GASB 68/75.
- Total Net Position increased $328,166 largely due changes related to the impact of accruals related to Net Pension Liability and OPEB.
- Total Operating and Non-Operating Revenues were $3,675,651. Total Operating and Non-Operating Expenses were $3,347,485.
- The School implemented GASB Statement No. 75 which restated beginning net position by $849,879.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2018. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

USING THIS ANNUAL REPORT (Continued)

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

Statement of Net Position **-** The Statement of Net Position answers the question of how the School did financially during 2018. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This space is intentionally left blank

Table 1 provides a summary of the School's Net Position for fiscal year 2018 compared to fiscal year 2017.

Table 1
Statement of Net Position

	2018	Restated 2017
Assets		
Current Assets	$ 1,480,219	$ 12,539,561
Noncurrent Assets	199,852	1,214,806
Capital Assets, Net	15,924,359	3,234,147
Total Assets	17,604,430	16,988,514
Deferred Outflows of Resources	1,511,683	1,482,069
Liabilities		
Current Liabilities	3,673,008	1,787,496
NonCurrent Liabilities	12,834,101	14,760,812
Total Liabilties	16,507,109	16,548,308
Deferred Inflows of Resources	477,745	119,182
Net Position		
Net Investment in Capital Assets	5,632,070	210,370
Unrestricted	(3,500,811)	1,592,723
Total Net Position	$ 2,131,259	$ 1,803,093

USING THIS ANNUAL REPORT (Continued)

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

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

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

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

USING THIS ANNUAL REPORT (Continued)

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

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $2,652,972 to $1,803,093.

The increase in capital assets is due to capitalization of the school's OFCC building project and was offset primarily by decreases in cash and receivables used to find the project.

The increase in current liabilities is due to increased amounts of debt due next year and accrued expenses for timing of payments. Non-current liabilities decreased primarily from the decrease in the net pension/OPEB liabilities and payments on debt exceeding issuances.

USING THIS ANNUAL REPORT (Continued)

Statement of Revenues, Expenses and Change in Net Position - Table 2 shows the change in Net Position for fiscal years 2018 and 2017 as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Change in Net Position

	2018	2017
Operating Revenues		
State Aid	$ 2,888,629	$ 2,785,068
Classroom Materials and Fees	195,194	233,698
Charges for Services	20,183	67,720
Other	147,998	99,771
Total Operating Revenues	3,252,004	3,186,257
Operating Expenses		
Salaries	1,813,775	1,574,462
Fringe Benefits	314,758	167,680
Pension and OPEB Expense	(1,203,216)	583,982
Purchased Services	1,267,205	1,205,245
Materials and Supplies	191,182	206,899
Depreciation	209,174	80,021
Other	231,985	13,958
Total Operating Expenses	2,824,863	3,832,247
Operating Income (Loss)	427,141	(645,990)
Non-Operating Revenues (Expenses)		
Federal and State Grants	86,696	4,707,829
Contributions and Donations	155,777	806,048
Intergovernmental Revenue	78,453	47,818
Pass-Thru Expenses	(17,393)	(44,915)
Interest Income	102,721	247,698
Interest Expense	(505,229)	(259,168)
Total Non-Operating Revenues (Expenses)	(98,975)	5,505,310
Change in Net Position	$ 328,166	$ 4,859,320

USING THIS ANNUAL REPORT (Continued)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

The main decrease in revenues from the prior year are due to the reduction in the OFCC grant revenues for the building improvements and a decrease in contributions and donations received by the school. The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $4,061 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $136,948. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$	2,824,863
Negative OPEB Expense under GASB 75		136,948
2018 Contractually Required Contribution		6,403
Adjusted 2018 Program Expenses		2,968,214
Total 2017 Program Expenses under GASB 45		3,832,247
Decrease in Program Expenses not Related to OPEB	$	(864,033)

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was $15,924,359. This balance represents current year additions of $16,056,581, deletions from Construction in Progress of $3,157,195, and offset by current year depreciation of $209,174. For more information on capital assets, see Note 6 of the Basic Financial Statements.

DEBT

As discussed, the School and its component units took on debt obligations related to the facility project during the reporting period.

In fiscal year 2017, $9,826,000 of financing was provided through The Reinvestment Fund ($6,400,000) and PNC Bank ($3,426,000) for the project. During fiscal year 2018, loans between the School and component units were made totaling $800,000, as well as, financing from outside sources, IFF ($350,000) and Advance Cleveland Development Fund, LLC ($1,309,714). $1,361,631 of the total debt was considered to be current (entire ACDF Loan and current portion of IFF Loan). During the year, $650,000 of the original Reinvestment Fund loan was repaid. For more information on the School's debt obligations, including the terms and related amortization tables, see Note 7 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2018, the State raised the base per pupil funding to $6,010, which is up from $6,000 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be $200 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2018 was 417 compared to a figure of 403 at the end of fiscal year 2017.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information, contact the School's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 2149 West 53rd Street, Cleveland, OH 44102.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Statement of Net Position
At June 30, 2018

Assets:	
Current Assets:	
Cash and Cash Equivalents	140,038
Restricted Cash	1,057,066
Accounts Receivable	117,992
OFCC Grants Receivable	81,527
Other Assets	83,596
Total Current Assets	1,480,219
Noncurrent Assets:	
Invested in Component Units	199,852
Capital Assets, net of Accumulated Depreciation	15,924,359
	16,124,211
Total Assets	17,604,430
Deferred Outflows of Resources	
Pension	1,471,905
OPEB	39,778
Total Deferred Outflows of Resources	1,511,683
Liabilities:	
Current Liabilities:	
Accounts Payable, Trade	200,988
Accrued Wages and Benefits	175,857
Withholdings Payable	14,613
Accrued Expenses	1,919,919
Current Portion of Long-Term Debt	1,361,631
Total Current Liabilities	3,673,008
Noncurrent Liabilities:	
Net Pension Liability	3,265,366
Net OPEB Liability	638,077
Noncurrent Portion of Long-term Debt	8,930,658
Total Noncurrent Liabilities	12,834,101
Total Liabilities	16,507,109
Deferred Inflows of Resources	
Pension	369,515
OPEB	108,230
Total Deferred Inflows of Resources	477,745
Net Position:	
Net Invested in Capital Assets	5,632,070
Unrestricted Net Position	(3,500,811)
Total Net Position	$ 2,131,259

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating Revenues:	
State Aid	$ 2,888,629
Classroom Materials and Fees	195,194
Charges for Services	20,183
Other Revenues	147,998
Total Operating Revenues	3,252,004
Operating Expenses:	
Salaries	1,813,775
Fringe Benefits	314,758
Pension and OPEB Expense	(1,203,216)
Purchased Services	1,267,205
Depreciation	209,174
Supplies	191,182
Other Operating Expenses	231,985
Total Operating Expenses	2,824,863
Operating Income	427,141
Non-Operating Revenues (Expenses):	
Federal Grants	86,696
Intergovernmental Revenue	78,453
Pass-Thru Expenses	(17,393)
Contributions and Donations	155,777
Interest Income	102,721
Interest Expense	(505,229)
Net Nonoperating Revenues (Expenses)	(98,975)
Change in Net Position	328,166
Net Position, Beginning of Year, Restated	1,803,093
Net Position, End of Year	$ 2,131,259

See Accompanying Notes to the Basic Financial Statements

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
State Aid Receipts	$ 2,888,629
Other Operating Receipts	363,375
Cash Payments to Suppliers for Goods and Services	(2,501,726)
Cash Payments to Employees for Services	(1,788,659)
Cash Payments for Employee Benefits	(314,758)
Net Cash Used For Operating Activities	(1,353,139)
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Investment From Component Units	3,062,581
Investment In Component Units	(2,047,627)
Net Cash Provided By Investment Activities	1,014,954
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental Revenues	165,149
Contributions and Donations Receipts	155,777
Net Cash Provided By Noncapital Financing Activities	320,926
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Assets	(11,214,231)
Principal Payments on Debt	(662,086)
Cash Received from Loan Proceeds	1,659,714
Interest Income	107,721
Interest Expense	(459,512)
OFCC Grant Revenues	3,054,612
Bond Issuance Costs	(577,056)
Net Cash Used For Capital and Related Financing Activities	(8,090,838)
Net Decrease in Cash and Cash Equivalents	(8,108,097)
Cash and Cash Equivalents - Beginning of the Year	9,305,201
Cash and Cash Equivalents - Ending of the Year	$ 1,197,104

Non Cash Transaction:
During the fiscal year 2018, $1,685,155 worth of Capital Assets were purchases on account, as noted in accrued expenses.

See Accompanying Notes to the Basic Financial Statements

(Continued)

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Reconciliation of Operating Income to Net Cash Used For Operating Activities		
Operating Income	$	427,141
Adjustments to Reconcile Operating Income to Net Cash Used For Operating Activities		
Depreciation		209,174
Changes in Assets, Liabilities, and Deferred Inflows and Outflows of Resources:		
(Increase)/Decrease in Accounts Receivables		(77,524)
(Increase)/ Decrease in Deferred Outflows		(29,614)
Increase/ (Decrease) in Deferred Inflows		358,563
Increase/ (Decrease) in Net Pension Liability		(1,465,506)
(Increase)/Decrease in Other Assets		(82,346)
Increase/(Decrease) in Accounts Payable, Trade		(740,111)
Increase/(Decrease) in Accrued Expenses		231,818
Increase/(Decrease) in Withholding Payable		6,013
Increase/(Decrease) in Accrued Wages		25,116
Increase/(Decrease) in Net OPEB Liability		(215,863)
Net Cash Used For Operating Activities	$	(1,353,139)

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE ENTITY

Menlo Park Academy ("MPA") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. MPA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect MPA's tax-exempt status. MPA's objective is to provide educational services to gifted students in grades kindergarten through 8th grade. MPA, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. MPA may acquire facilities as needed and contract for any services necessary for the operation of MPA.

MPA entered into a sponsorship agreement with Educational Service Center of Lake Erie West (the "Sponsor") on September 16, 2008 amended as of July 1, 2011 for a period through June 30, 2021. The Sponsor is responsible for evaluating the performance of MPA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. MPA operates under the direction of a Governing Board. The Governing 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 Governing Board controls MPA's one instructional/support facility staffed by 9 noncertified and 27 certified personnel who provide services to students.

Component Units **-** As defined by GAAP, the reporting entity consists of the School, as well as, component units, which are legally separate organizations for which the officials of the School are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the School, or (b) the possibility that the component units will provide a financial benefit to or impose a financial burden on the School, or (c) the component units are financially dependent on the School. In addition, component units can be other organizations for which the nature and significance of their relationship with a School are such that exclusion would cause the reporting entity's financial statements to be misleading. Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the component units outside of the basic financial statement totals of the primary government. The School is reporting blended component units within its financial statements. The blending method was applied to the component units mainly because the management of the School has operational responsibilities for the component units having a shared board.

On December 4, 2014 Menlo Park Academy formed West 53rd Holdings, LLC which is a wholly-owned and controlled subsidiary. West 53rd Holdings, LLC was formed to acquire, hold, invest in, secure financing for, construct, rehabilitate, develop, improve, maintain, operate, and lease real property in a manner that furthers the charitable purpose of the School, by providing a decent, safe, sanitary facility for school operations. West 53rd Holdings, LLC had activity in the prior year. During fiscal year 2017, there were two additional entities which had activity in them related to the construction project. These were TAE Manager, LLC and West 53rd Master Tenant, LLC. The activity of these entities, along with West 53rd Holdings, LLC is reflected in these statements as a blended component unit with the financial activity of the School, Menlo Park Academy. All of the component unit entities have a December 31st year end, which differs from the School's year end of June 30. Certain accounting differences between the School and the component units may exist due to the different fiscal years presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting **-** Enterprise accounting used a flow of economic resources measurement focus. Under 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 operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

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

Budgetary Process **-** Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents and Restricted Cash **-** Cash received by the School is reflected as "Cash and Cash Equivalents" and "Restricted Cash" on the Statement of Net Position. The School did have one investment account during the fiscal year ended June 30, 2018 that was classified as a cash equivalent. Restricted Cash is reported due to remaining OFCC grant monies obligated for contracts payable due to building repairs.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation **-** Capital assets are capitalized at cost after being placed in service. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were $15,924,359, as of June 30, 2018, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets once the asset has been placed in service, except for land and construction in progress. The useful lives of each asset class are as follows:

Asset Class	Useful Life
Computers & Software	3 years
Site Improvements	15 years
Furniture, Fixtures, & Equipment	5 years
Building	39 years
Leasehold Improvements	2-4 years

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

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

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

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

The School also participates in various federal programs passed through the Ohio Department of Education, as well as a grant received from the Ohio Facilities Construction Commission.

Under the above programs the School recorded $2,888,629 this fiscal year from the Foundation Program and $86,696 from Federal grants and $78,453 from other Intergovernmental sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Accrued Liabilities **-** Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of Accounts Payable, Accrued Expenses, Accrued Wages and Benefits, Withholdings Payable and the Current Portion of Long-Term Debt totaling $3,673,008 at June 30, 2018. $2,883,141 of this amount related to liabilities of the blended component units.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows and Deferred Outflows of Resources (continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 9 and 10)

Pensions/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 positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

NOTE 3 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

The School and its component units maintain its cash and investment balances at Huntington Bank, as well as, PNC Bank. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per qualifying account. The School also maintains a PEX card account that operates as a prepaid purchasing card. The book balance of the PEX account as of June 30, 2018 was $4,521. At June 30, 2018, the book amount and bank balance of the School and its component units was as follows:

	Book	Bank Balance
School		
Huntington	$ 108,554	$ 145,080
PNC Bank	$ 719,083	$ 719,083
	$ 827,637	$ 864,163
Component Units		
PNC Bank	$ 369,467	$ 369,467
Total	**$ 1,197,104**	**$ 1,233,630**

NOTE 3 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (continued)

$1,057,066 of the School's book balance at June 30, 2018 was classified as "Restricted Cash" on the Statement of Net Position for capital improvement obligations.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2018, $243,672 of the bank balance was exposed to custodial credit risk.

NOTE 4 - RECEIVABLES

The School has OFCC Grants receivables totaling $81,527 at June 30, 2018 representing monies due from the Ohio Facilities Construction Commission grant, but not received as of year-end. The School also had an Accounts receivable totaling $117,992 at June 30, 2018 which related to remaining monies due to the School as of June 30, 2018, but not yet received including $18,270 due from the State of Ohio as a result of an FTE reconciliation for fiscal year 2018 (See Note 11).

Finally, the School had a $6,874,000 loan receivable from monies provided to West 53rd Holdings, LLC (a component unit) for the renovation and expansion of the new School facility located at 2149 West 53rd St. in Cleveland, Ohio. The School funded this loan with a portion of the proceeds received at closing from The Reinvestment Fund. The loan is not reflected on the Statement of Net Position as is was eliminated in consolidation of the various entities, however, it is shown in the statements provided in the Supplementary Information section of this report. There is no allowance for doubtful accounts consideration due to the relationship of the entities guaranteeing payment in return.

NOTE 5 – INVESTMENT IN COMPONENT UNITS

At year end, the School had $199,852 invested in the component units. This amount represented equity contributions to TAE Manager, LLC as of June 30, 2018 made by the School through the receipt of funds from the Ohio Facilities Construction Commission. As the component unit's year end in the accompanying financial statements is December 31, 2017, this amount was not eliminated as an intra-company transaction in the consolidated statement.

NOTE 6 - CAPITAL ASSETS

For the fiscal year ended June 30, 2018, capital assets consisted of the following:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Capital Assets:				
Land	$ -	$ 100,000	$ -	$ 100,000
Building	25,000	14,713,555	-	14,738,555
Site Improvements	-	1,060,507	-	1,060,507
Construction in Progress	3,157,195	-	(3,157,195)	-
Furniture, Fixtures, and Equipment	124,986	182,519	-	307,505
Computers & Software	169,800	-	-	169,800
Leasehold Improvements	82,714	-	-	82,714
Total Capital Assets	3,559,695	16,056,581	(3,157,195)	16,459,081
Less Accumulated Depreciation:				
Building	-	(140,126)	-	(140,126)
Site Improvements	-	(26,513)	-	(26,513)
Furniture, Fixtures, and Equipment	(93,477)	(23,679)	-	(117,156)
Computers & Software	(166,372)	(3,429)	-	(169,801)
Leasehold Improvements	(65,699)	(15,427)	-	(81,126)
Total Accumulated Depreciation	(325,548)	(209,174)	-	(534,722)
Total Capital Assets, Net	$ 3,234,147	$ 15,847,407	$ (3,157,195)	$ 15,924,359

During fiscal year 2018, the component units recorded $12,899,386 of additions related to the newly constructed building being placed into service. The School also recorded capitalized loan origination costs of $140,493. Deletions represent the removal of costs from Construction in Progress and reclassed to the appropriate asset class now that the building has been placed in service.

NOTE 7 – LOANS PAYABLE and LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Due within One Year
Post Employment Liability:					
Net Pension Liability:	$ 4,730,872		$ (1,465,506)	$ 3,265,366	$ -
Net OPEB Liability	853,940	-	(215,863)	638,077	-
Total Post Employment Liability	5,584,812		(1,681,369)	3,903,443	-
TRF Leverage Loan A	5,750,000	-	-	5,750,000	-
TRF Leverage Loan B	650,000	-	(650,000)	-	-
CNMIF II (U), LLC	3,426,000	-	-	3,426,000	-
IFF	-	350,000	(12,086)	337,914	51,917
Advance Cleveland Development	-	1,309,714	-	1,309,714	1,309,714
Unamortized Debt Issuance Costs	-	(577,056)	45,717	(531,339)	-
Total Loan Liabilities	9,826,000	1,082,658	(616,369)	10,292,289	1,361,631
Total Long-Term Obligations	$ 15,410,812	$ 1,082,658	$ (2,297,738)	$ 14,195,732	$ 1,361,631

The Reinvestment Fund Leverage Loans A & B

TRF (The Reinvestment Fund) Leverage Loan A in the amount of $5,750,000 (long-term) and TRF Leverage Loan B in the amount of $650,000 (short-term) was provided to the School in connection with the new School facility project. TRF Leverage Loan B was paid in the current fiscal year. The School in turn allocated a significant portion of these proceeds ($6,074,000) to West 53rd Holdings, LLC for use in the development and rehabilitation of the subject property (2149 West 53rd St, Cleveland, Ohio). See also Note 4 for description of the loan receivable.

Pursuant to the loan agreements entered into in October 2016, the TRF Leverage Loan A has a term of 7 years and bears and interest rate of 5.96%. The loan has a balloon payment due at maturity of $4,376,209.

CNMIF II (U), LLC Loan to West 53rd Holdings, LLC

The loan due to CNMIF II (U), LLC in the amount of $3,426,000 is an obligation of the component unit, West 53rd Holdings, LLC (See Supplementary Information to these financial statements). The loan has a term of 30 years and bears an interest rate of 3.8111%. Interest only payments are due quarterly until October 28, 2023 at which time a principal and interest payments will be due through the maturity date of October 2046.

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

IFF

On October 28, 2016, the Lessor entered into a loan agreement (the "IFF Loan Agreement") with IFF for $350,000 (the "IFF Loan") The IFF Loan accrues interest at a rate of 6.375% per annum. Pursuant to the IFF Loan Agreement, interest-only payments on the IFF Loan are due quarterly, partially in arrears and partially in advance, on the 10th day of each March, June, September, and December commencing on December 10, 2016 through September 10, 2017. Commencing on December 10, 2017, and thereafter on the 10 day of each March, June, September, and December through September 10, 2023, payments of accrued and unpaid interest, partially in arrears and partially in advance, and principal in an amount equal to $17,664 are due and payable quarterly on the IFF Loan. All outstanding principal and any accrued and unpaid interest is due on the maturity date of September 30, 2023. Principal payments during the year totaled $12,086.

Advance Cleveland Development Fund, LLC

On October 28,2016, West 53rd Holdings entered into a Bridge loan agreement with Advance Cleveland Development Fund, LLC for a maximum amount of $3,100,000. The Bridge loan accrues interest at a rate of 6% per annum. Pursuant to the Bridge Loan Agreement, interest-only payments on the Bridge Loan are due quarterly in arrears on the last day of each March, June, September, and December commencing on December 31, 2016 through September 30, 2018. Principal payments are due on the earlier of (i) October 28, 2018 (the "Bridge Loan Maturity Date"); (ii) within two business days after the Lessor receives a capital contribution from Foss or the Lessee, in the amount of such capital contributions; (iii) within two business days after the Lessor receives an advance of loan proceeds from the Lessee pursuant to a certain promissory note, in the amount of such advance; and (iv) on December 1, 2017, to the extent the Lessor has not received additional State HTCs but solely from funds on deposit in the Collateral Account, as defined in the Bridge Loan Agreement. All outstanding principal and any accrued and unpaid interest is due on the Bridge Loan Maturity Date. As of December 31, 2017, $1,309,714 had been drawn on the loan and no principal payments had been made.

Unamortized Debt Issuance Costs

Debt issuance costs are being amortized to interest expense over the term of the loans. For the period from August 5, 2016 (inception) to December 31, 2017, the effective interest rate on the QLICI Loans, IFF Loan, and the Bridge Loan, including amortization of debt issuance costs, was 4.18%, 7.94% and 10.54%, respectively. For the period from August 5, 2016 (inception) to December 31, 2017, amortization of debt issuance costs for all notes payable was $105,048. The unamortized balance at year end was $531,339.

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Future obligations under each of the long-term loans are as follows:

Year	TRF Leverage Loan A	CNMIF II, LLC	IFF
2019	$ 219,138	$ 130,568	$ 70,656
2020	219,138	130,568	70,656
2021	219,138	130,568	70,656
2022	219,138	130,568	70,656
2023	219,138	130,568	70,656
2024-2028	4,928,908	1,034,044	-
2029-2033	452,855	1,129,343	-
2034-2038	452,855	1,129,343	-
2039-2043	452,855	1,129,343	-
2044-2046	339,641	847,006	-
Total Obligations	7,722,804	5,921,919	353,280
Less: Interest	(1,972,804)	(2,495,919)	(15,366)
Total Principal	$ 5,750,000	$ 3,426,000	$ 337,914

NOTE 8 - RISK MANAGEMENT

Property & Liability **-** MPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance settlements did not exceed insurance coverage for the past three years, nor has there been a significant reduction in coverage from the prior year. For the fiscal year ended 2018, MPA contracted with Althans Insurance Agency and had the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	2,000,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
Employer's (OH Stop Gap) Liability	1,000,000
Automotive Liability - Non-owned Automobiles	1,000,000
Personal Property ($2,500 deductible)	150,000
Computer Equipment ($1,000 deductible)	115,000
Playground Equipment ($1,000 deductible)	23,300
Modular Classroom	20,000
Excess Liability Umbrella	5,000,000
Crime ($2,500 deductible)	250,000
Professional Educators Legal Liability ($1,000 deductible)	1,000,000
Sexual Abuse Liability each claim	1,000,000
Sexual Abuse Liability Aggregate	3,000,000
Directors and Officers Liability	1,000,000

NOTE 8 - RISK MANAGEMENT (continued)

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

Employee Medical and Dental Benefits **-** The School has contracted with a private carrier to provide employee medical and dental insurance to its full-time employees.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS

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

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

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

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

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

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description –School non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 14.00 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School's contractually required contribution to SERS was $38,221 for fiscal year 2018.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Plan Description - State Teachers Retirement System (STRS) – (continued)

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

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

The School's contractually required contributions to STRS was $207,715 for fiscal year 2018.

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 School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00671120%	0.01205793%	
Prior Measurement Date	0.00611220%	0.01279692%	
Change in Proportionate Share	0.00059900%	-0.00073899%	
Proportionate Share of the Net Pension Liability	$ 400,979	$ 2,864,387	$ 3,265,366
Pension Expense	$ (40,756)	$ (922,359)	$ (963,115)

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

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

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 17,255	$ 110,609	$ 127,864
Changes of Assumptions	20,735	626,473	647,208
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	36,259	414,638	450,897
School Contributions Subsequent to the Measurement Date	38,221	207,715	245,936
Total Deferred Outflows of Resources	$ 112,470	$ 1,359,435	$ 1,471,905
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 23,086	$ 23,086
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,902	94,529	96,431
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	75,365	174,633	249,998
Total Deferred Inflows of Resources	$ 77,267	$ 292,248	$ 369,515

$245,936 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

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

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	$ (10,093)	$ 312,561	$ 302,468
2020	3,310	331,334	334,644
2021	13,111	209,199	222,310
2022	(9,346)	6,378	(2,968)
2023	0	0	0
Thereafter	0	0	0
Total	$ (3,018)	$ 859,472	$ 856,454

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.

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Actuarial Assumptions – SERS – (continued)

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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
International Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Stratagies	10.00	3.00
Total	100.00 %	

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Actuarial Assumptions – SERS – (continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
MPA's proportionate share of the net pension liability	$556,455	$400,979	$270,737

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
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	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Actuarial Assumptions – STRS – (continued)

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

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

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

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

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

NOTE 9 - DEFINED BENEFIT PENSIONS PLANS – (continued)

Actuarial Assumptions – STRS – (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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
MPA's proportionate share of the net pension liability	$4,106,001	$2,864,387	$1,818,513

Assumption Changes since the Prior Measurement 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 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, 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 percent 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 - POSTEMPLOYMENT BENEFITS

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.

The net OPEB liability represents the School's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability 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 School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which OPEB are financed; however, the School does receive the benefit of employees' services in exchange for compensation including OPEB.

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 *withholdings payable* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

NOTE 10 - POSTEMPLOYMENT BENEFITS – (continued)

Plan Description - School Employees Retirement System (SERS) (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. For fiscal year 2018, the School's surcharge obligation was $4,061.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $6,403 for fiscal year 2018.

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

NOTE 10 - POSTEMPLOYMENT BENEFITS – (continued)

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

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 respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.00624580%	0.01205793%	
Prior Measurement Date	0.00594859%	0.01279692%	
Change in Proportionate Share	0.00029721%	-0.00073899%	
Proportionate Share of the Net OPEB Liability	$ 167,621	$ 470,456	$ 638,077
OPEB Expense	$ 12,256	$ (149,204)	$ (136,948)

This space is intentionally left blank

NOTE 10 - POSTEMPLOYMENT BENEFITS – (continued)

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

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	$ 27,157	$ 27,157
Changes in Proportionate Share and Differences between School Contributions and Proportionate Share of Contributions	6,218	0	6,218
School Contributions Subsequent to the Measurement Date	6,403	0	6,403
Total Deferred Outflows of Resources	$ 12,621	$ 27,157	$ 39,778
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 442	$ 20,108	$ 20,550
Changes of Assumptions	15,907	37,897	53,804
Changes in Proportionate Share and Differences between School Contributions and Proportionate Share of Contributions	0	33,876	33,876
Total Deferred Inflows of Resources	$ 16,349	$ 91,881	$ 108,230

$6,403 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 - POSTEMPLOYMENT BENEFITS – (continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(3,621)	(12,463)	(16,084)
2020	(3,621)	(12,463)	(16,084)
2021	(2,780)	(12,463)	(15,243)
2022	(109)	(12,463)	(12,572)
2023	0	(7,436)	(7,436)
Thereafter	0	(7,435)	(7,435)
Total	(10,131)	(64,723)	(74,854)

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 - POSTEMPLOYMENT BENEFITS – (continued)

Actuarial Assumptions – SERS – (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 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 - POSTEMPLOYMENT BENEFITS – (continued)

Actuarial Assumptions – SERS – (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 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.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) 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.

NOTE 10 - POSTEMPLOYMENT BENEFITS – (continued)

Actuarial Assumptions – SERS – (continued)

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates – (continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
MPA's proportionate share of the net OPEB liability	$202,424	$167,621	$140,048

	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%)
MPA's proportionate share of the net OPEB liability	$136,012	$167,621	$209,456

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 (COLA)	0.0 percent, effective July 1, 2017
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 - POSTEMPLOYMENT BENEFITS – (continued)

Actuarial Assumptions – STRS – (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' 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:

NOTE 10 - POSTEMPLOYMENT BENEFITS – (continued)

Actuarial Assumptions – STRS – (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 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.

NOTE 10 - POSTEMPLOYMENT BENEFITS – (continued)

Actuarial Assumptions – STRS – (continued)

Sensitivity of the School'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%)
MPA's proportionate share of the net OPEB liability	$631,580	$470,456	$343,116

	1% Decrease	Current Trend Rate	1% Increase
MPA's proportionate share of the net OPEB liability	$326,853	$470,456	$659,455

NOTE 11 - CONTINGENCIES

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

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

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

NOTE 11 - CONTINGENCIES (continued)

Full-Time Equivalency (continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2018.

As of the date of this report, all ODE adjustments through fiscal year 2018 have been completed.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, all ODE adjustments for fiscal year 2018 have been completed. A reconciliation between payment previously made and the FTE adjustments have taken place with these contracts.

NOTE 12 - PURCHASED SERVICES

For the period of July 1, 2017 through June 30, 2018, the School made the following purchased services commitments.

Purchased Services	Amount
Professional Services	$ 493,910
Property Services	493,840
Utilities	135,622
Travel & Meetings	18,013
Communications	64,327
Contractual Trade	27,603
Pupil Transportation	33,890
Total	$1,267,205

NOTE 13 - LEASE OBLIGATIONS

On October 28, 2016, the School entered into a sublease with the West 53rd Master Tenant for the sublease of the Building from the Lessor (West 53rd Holdings, LLC) (the "Sublease"). Under the terms of the Sublease, the School agreed to pay the Lessee annual rent as set forth in the Sublease for a term of 15 years beginning on the Commencement Date, as defined in the Sublease (prorated for any partial year). The building was placed into service on August 17, 2017 (the "Commencement Date").

Rent expense for 2018 totaled $631,859.

Future minimum lease payments are as follows:

	Amount
FY2019	$ 764,225
FY2020	779,509
FY2021	795,099
FY2022	811,011
FY2023	827,222
FY24-FY28	4,391,001
FY29-FY32	4,427,852
Total	$ 12,795,919

NOTE 14 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

NOTE 14 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION – (continued)

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the School's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

Net Position June 30, 2017	$ 2,652,972
Adjustments:	
Net OPEB liability	(853,940)
Deferred Outflow - Payments Subsequent to Measurement Date	4,061
Restated Net Position June 30, 2017	$ 1,803,093

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 15 – SUBSEQUENT EVENT

On February 28, 2018, the City of Cleveland issued a notice to the Lessor to demolish the administration building on the Project and the National Park Service amended the Part 3 to include the administration building demolition as part of the scope of the work on the Project. As of the October 5, 2018, the Lessor is receiving quotes to complete the request and the estimated costs are not yet determinable.

In August 2018, the Member and the Lessor settled a lawsuit with Herman Gibans Fodor, Inc., HDS Architecture, Inc. and Robert Maschke Architects, Inc. and their respective owners, shareholders, partners, officers, directors, agents, employees, insurers, attorneys, parent companies, affiliates , predecessors, successors and/or assigns (collectively, the "Architects") whereby the Member and the Lessor agree to pay the Architects an amount equal to $85,000 to release and discharge each other from further disputes arising from the original contract to rehabilitate the Project dated February 11, 2015, as amended November 18, 2015.

On September 6, 2018, Foss made contributions totaling $1,489,999 to the Lessor and the Lessor used the proceeds to pay down the ACDF Loan on September 7, 2018.

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

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)					
School's Proportion of the Net Pension Liability	0.00671120%	0.00611220%	0.00921010%	0.00830200%	0.00830200%
School's Proportionate Share of the Net Pension Liability	$ 400,979	$ 447,357	$ 525,537	$ 420,159	$ 493,693
School's Covered Payroll	$ 212,314	$ 309,686	$ 277,276	$ 243,449	$ 251,243
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.86%	144.46%	189.54%	172.59%	196.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
State Teachers Retirement System (STRS)					
School's Proportion of the Net Pension Liability	0.01205793%	0.01279692%	0.01152955%	0.01069663%	0.01069663%
School's Proportionate Share of the Net Pension Liability	$ 2,864,387	$ 4,283,515	$ 3,186,430	$ 2,601,791	$ 3,099,236
School's Covered Payroll	$ 1,325,621	$ 1,273,593	$ 1,202,914	$ 1,176,969	$ 890,423
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	336.33%	264.89%	221.06%	348.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Required Supplementary Information
Schedule of the School's Contributions - Pension
School Employees Retirement System of Ohio
Last Ten Fiscal Years

School Employees Retirement System (SERS)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 38,222	$ 29,724	$ 43,356	$ 36,545	$ 33,742	$ 34,772	$ 23,097	$ 11,706	$ 6,742	$ 901
Contributions in Relation to the Contractually Required Contribution	(38,222)	(29,724)	(43,356)	(36,545)	(33,742)	(34,772)	(23,097)	(11,706)	(6,742)	(901)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 283,126	$ 212,314	$ 309,686	$ 277,276	$ 243,449	$ 251,243	$ 171,725	$ 93,126	$ 49,793	$ 9,157
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

Required Supplementary Information
Schedule of the School's Contributions - Pension
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
State Teachers Retirement System (STRS)										
Contractually Required Contribution	$ 207,714	$ 185,587	$ 178,303	$ 168,408	$ 153,006	$ 115,755	$ 92,691	$ 78,332	$ 44,394	$ 17,437
Contributions in Relation to the Contractually Required Contribution	(207,714)	(185,587)	(178,303)	(168,408)	(153,006)	(115,755)	(92,691)	(78,332)	(44,394)	(17,437)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 1,483,671	$ 1,325,621	$ 1,273,593	$ 1,202,914	$ 1,176,969	$ 890,423	$ 713,008	$ 602,554	$ 341,492	$ 134,131
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	2018	2017
School Employees Retirement System (SERS)		
School's Proportion of the Net OPEB Liability	0.00624580%	0.00594859%
School's Proportionate Share of the Net OPEB Liability	$ 167,621	$ 169,557
School's Covered Payroll	$ 212,314	$ 309,686
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.95%	54.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

	2018	2017
State Teachers Retirement System (STRS)		
School's Proportion of the Net OPEB Liability	0.01205793%	0.01279692%
School's Proportionate Share of the Net OPEB Liability	$ 470,456	$ 684,383
School's Covered Payroll	$ 1,325,621	$ 1,273,593
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.49%	53.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Required Supplementary Information
Schedule of the School's Contributions - OPEB
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School Employees Retirement System (SERS)										
Contractually Required Contribution (1)	$ 6,403	$ 4,061	$ 1,957	$ 303	$ 1,833	$ 1,921	$ 2,491	$ 2,214	$ 393	$ 413
Contributions in Relation to the Contractually Required Contribution	(6,403)	(4,061)	(1,957)	(303)	(1,833)	(1,921)	(2,491)	(2,214)	(393)	(413)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 283,126	$ 212,314	$ 309,686	$ 277,276	$ 243,449	$ 251,243	$ 171,725	$ 93,126	$ 49,793	$ 9,157
OPEB Contributions as a Percentage of Covered Payroll (1)	2.26%	1.91%	0.63%	0.11%	0.75%	0.76%	1.45%	2.38%	0.79%	4.51%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

Required Supplementary Information
Schedule of the School's Contributions - OPEB
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
State Teachers Retirement System (STRS)										
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0	$ 11,770	$ 8,904	$ 7,130	$ 6,026	$ 3,415	$ 1,341
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	(11,770)	(8,904)	(7,130)	(6,026)	(3,415)	(1,341)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 1,483,671	$ 1,325,621	$ 1,273,593	$ 1,202,914	$ 1,176,969	$ 890,423	$ 713,008	$ 602,554	$ 341,492	$ 134,131
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Net Pension Liability

Changes of benefit terms - SERS:

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions - SERS:

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

Changes in benefit terms - STRS:

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018.

Changes in assumptions - STRS:

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

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 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.

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Net Position

Assets:	Menlo Park Academy 6/30/2018	West 53rd Holdings, LLC 12/31/2017	West 53rd Master Tenant, LLC 12/31/2017	TAE Manager, LLC 12/31/2017	Eliminations	Total
Current Assets:						
Cash and Cash Equivalents	$ 116,868	$ 1,824	$ 21,344	$ 2	$ -	$ 140,038
Restricted Cash	710,769	346,297	-	-	-	1,057,066
Investments in Related Entities	-	-	297,591	2,733,356	(3,030,947)	-
Accounts Receivable	114,992	179,674	194,983	3,827	(375,484)	117,992
Grants Receivable	81,527	-	-	-	-	81,527
Loans Receivable	6,874,000	-	208,725	800,000	(7,882,725)	-
Other Assets	16,465	-	-	67,131	-	83,596
Total Current Assets	7,914,621	527,795	722,643	3,604,316	(11,289,156)	1,480,219
Noncurrent Assets:						
Invested in Component Units	2,972,250	-	-	-	(2,772,398)	199,852
Capital Assets, net of	203,372	15,720,987	-	-	-	15,924,359
Accumulated Depreciation	3,175,622	15,720,987	-	-	(2,772,398)	16,124,211
Total Assets	11,090,243	16,248,782	722,643	3,604,316	(14,061,554)	17,604,430
Deferred Outflows of Resources	1,511,683	-	-	-	-	1,511,683
Liabilities:						
Current Liabilities:						
Accounts Payable	174,002	26,986	-	-	-	200,988
Accrued Wages and Benefits	175,857	-	-	-	-	175,857
Withholdings Payable	14,613	-	-	-	-	14,613
Accrued Expenses	425,395	1,693,334	176,674	-	(375,484)	1,919,919
Current Poriton of Long-Term Debt	-	1,361,631		-	-	1,361,631
Total Current Liabilities	789,867	3,081,951	176,674	-	(375,484)	3,673,008
Noncurrent Liabilities:						
Net Pension Liability	3,903,443	-	-	-	-	3,903,443
Noncurrent Portion of Long-term Debt	5,750,000	10,263,383	-	800,000	(7,882,725)	8,930,658
Total Noncurrent Liabilities	9,653,443	10,263,383	-	800,000	(7,882,725)	12,834,101
Total Liabilities	10,443,310	13,345,334	176,674	800,000	(8,258,209)	16,507,109
Deferred Inflows of Resources	477,745	-	-	-	-	477,745
Net Position/ Equity:						
Net Investment in Capital Assets	1,327,372	5,457,604	208,725	-	(1,361,631)	5,632,070
Unrestricted Net Position	353,499	(2,554,156)	337,244	2,804,316	$ (4,441,713)	(3,500,810)
Total Net Position	$ 1,680,871	$ 2,903,448	$ 545,969	$ 2,804,316	$ (5,803,344)	$ 2,131,260

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Revenues, Expenses, and Changes in Net Position

	Menlo Park Academy 6/30/2018	West 53rd Holdings, LLC 12/31/2017	West 53rd Master Tenant, LLC 12/31/2017	TAE Manager, LLC 12/31/2017	Eliminations	Total
Operating Revenues:						
State Sources	$ 2,888,629	$ -	$ -	$ -	$ -	$ 2,888,629
Lease Income	-	267,097	277,944	-	(545,041)	-
Other Revenues	295,260	984	-	67,131	-	363,375
Total Operating Revenues	3,183,889	268,081	277,944	67,131	(545,041)	3,252,004
Operating Expenses:						
Salaries and Benefits	925,317	-	-	-	-	925,317
Purchased Services	1,500,185	-	-	-	(232,980)	1,267,205
Supplies	191,182	-	-	-	-	191,182
Depreciation	30,044	179,130	-	-	-	209,174
Other Operating Expenses	208,285	23,700	267,097	-	(267,097)	231,985
Total Operating Expenses	2,855,013	202,830	267,097	-	(500,077)	2,824,863
Operating Income (Loss)	328,876	65,251	10,847	67,131	(44,964)	427,141
Non-Operating Revenues and Expenses:						
Pass-Thru Expenses	-	-	(17,393)	-	-	(17,393)
Federal and Other Intergovernmental Revenues	165,149	-	-	-	-	165,149
Contributions and Donations	155,777	2,148,581	-	2,107,127	(4,255,708)	155,777
Interest Income	91,054	1,546	6,292	3,829	-	102,721
Interest Expense	(263,768)	(241,461)	-	-	-	(505,229)
Total Non-Operating Revenues and Expenses	148,212	1,908,666	(11,101)	2,110,956	(4,255,708)	(98,975)
Change in Net Position	477,088	1,973,917	(254)	2,178,087	(4,300,672)	328,166
Net Position, Beginning of Year, Restated	1,203,783	929,531	546,223	626,229	(1,502,673)	1,803,093
Net Position, End of Year	$ 1,680,871	$ 2,903,448	$ 545,969	$ 2,804,316	$ (5,803,345)	$ 2,131,259

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO
Combining Statement of Cash Flows

	Menlo Park Academy 6/30/2018	West 53rd Holdings, LLC 12/31/2017	West 53rd Master Tenant, LLC 12/31/2017	TAE Manager, LLC 12/31/2017	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
State Aid Receipts	$ 2,888,629	$ -	$ -	$ -	$ -	$ 2,888,629
Other Operating Receipts	240,967	122,408	-	-	-	363,375
Cash Payments to Suppliers for Goods and Services	(2,122,926)	(378,800)	-	-	-	(2,501,726)
Cash Payments to Employees for Services	(1,788,659)	-	-	-	-	(1,788,659)
Cash Payments for Employee Benefits	(314,758)	-	-	-	-	(314,758)
Net Cash Used For Operating Activities	(1,096,747)	(256,392)	-	-	-	(1,353,139)
CASH FLOWS FROM INVESTMENT ACTIVITIES						
Investment From Component Units	-	3,062,581	-	3,062,581	(3,062,581)	3,062,581
Investment in Component Units	(2,047,627)	-	-	(3,062,581)	3,062,581	(2,047,627)
Net Cash Provided (Used) By Investment Activities	(2,047,627)	3,062,581	-	-	-	1,014,954
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental Revenues	165,149	-	-	-	-	165,149
Contributions and Donations Receipts	155,777	-	-	-	-	155,777
Net Cash Provided By Noncapital Financing Activities	320,926	-	-	-	-	320,926
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash Received from Loan Proceeds	-	1,659,714	-	-	-	1,659,714
Cash Principal Payments on Debt	-	(662,086)	-	-	-	(662,086)
Cash Payments Bond Issuance Costs	-	(577,056)	-	-	-	(577,056)
Cash Payments for Capital Assets	(15,970)	(11,198,261)	-	-	-	(11,214,231)
Cash Received from OFCC State Grant	3,054,612	-	-	-	-	3,054,612
Cash Received from Interest Income	106,173	1,546	-	2	-	107,721
Cash Payments for Interest Expense	(369,090)	(90,422)	-	-	-	(459,512)
Net Cash Provided (Used) For Capital and Related Financing Activities	2,775,725	(10,866,565)	-	2	-	(8,090,838)
Net Decrease in Cash and Cash Equivalents	(47,723)	(8,060,376)	-	2	-	(8,108,097)
Cash and Cash Equivalents - Beginning of the Year	875,360	8,408,497	21,344	-	-	9,305,201
Cash and Cash Equivalents - End of the Year	$ 827,637	$ 348,121	$ 21,344	$ 2	$ -	$ 1,197,104

MENLO PARK ACADEMY - CUYAHOGA COUNTY, OHIO

Combining Statement of Cash Flows

	Menlo Park Academy 6/30/2018	West 53rd Holdings, LLC 12/31/2017	West 53rd Master Tenant, LLC 12/31/2017	TAE Manager, LLC 12/31/2017	Eliminations	Total
Reconciliation of Operating Income to Net Cash Used For Operating Activities						
Operating Income (Loss)	$ 328,876	$ 65,251	$ 10,847	$ 67,131	$ (44,964)	$ 427,141
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used For Operating Activities:						
Depreciation	30,044	179,130	-	-	-	209,174
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:						
(Increase)/Decrease in Receivables	(533,325)	258,080	(187,521)	-	385,242	(77,524)
(Increase)/ Decrease in Deferred Outflows	(29,614)	-	-	-	-	(29,614)
Increase/ (Decrease) in Deferred Inflows	358,563	-	-	-	-	358,563
Increase/ (Decrease) in Net Pension Liability	(1,465,506)	-	-	-	-	(1,465,506)
Increase/ (Decrease) in Net OPEB Liability	(215,863)	-	-	-	-	(215,863)
(Increase)/Decrease in Other Assets	(15,215)	-	-	(67,131)	-	(82,346)
Increase/(Decrease) in Accrued Wages and Benefits	25,116	-	-	-	-	25,116
Increase/(Decrease) in Withholdings Payable	6,013	-	-	-	-	6,013
Increase/(Decrease) in Accounts Payable, Trade	25,825	(765,936)	-	-	-	(740,111)
Increase/(Decrease) in Accrued Expenses	388,339	7,083	176,674	-	(340,278)	231,818
Net Cash Used For Operating Activities	$ (1,096,747)	$ (256,392)	$ -	$ -	$ -	$ (1,353,139)

Rea & associates a brighter way

February 21, 2019

To the Board of Directors
Menlo Park Academy
2149 West 53rd Street
Cleveland, OH 44102

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

We have audited the financial statements of the Menlo Park Academy, Cuyahoga County, Ohio (the "School") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 21, 2019, in which we noted in our report that the School restated their net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits other than Pensions"*.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of West 53rd Holdings, LLC, TAE Manager, LLC, and West 53rd Master Tenant, LLC were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with West 53rd Holdings, LLC, TAE Manager, LLC, and West 53rd Master Tenant, LLC.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

School's Response to the Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rea & Associates, Inc.

Medina, Ohio

Menlo Park Academy
Cuyahoga County, Ohio
Schedule of Findings and Responses
June 30, 2018

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

Finding Number: 2018-001

Material Weakness: Internal Control over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Condition: Material audit adjustments were made to the financial statements presented for audit.

Cause: The blended component units of the school reported material additions of capital assets and long term debt obligations during the year. When the financial statements were prepared, net investment in capital assets were improperly reported and were not including the changes in the blended component units capital asset and long term debt obligations. An adjustment was made to reclassify $5,428,698 from unrestricted net position to net investment in capital assets.

In addition, amortization of bond issuance costs for the blended component units was expensed to depreciation and amortization versus interest expense. An adjustment was made to reclassify $45,717 from depreciation expense to interest expense.

Effect: The financial statements were materiality misstated by the amounts summarized above.

Recommendation: We recommend the School review changes to these accounts annually to correct these errors for fiscal year 2019 and that the financial statements are thoroughly reviewed by the Treasurer prior to submitting them for audit.

Management's Response:
Due to complexity surrounding the blending of the School's financial statements with those of its component units, the adjustments described above were not made prior to the submission of the unaudited financial statements to the State. The School did however present these items consistently with the prior year's audit. For the fiscal year ended June 30, 2018, the School engaged a new auditor who identified the issue. Although there was no impact on the School's overall Net Position as a result of these adjustments, management agrees that they are necessary in order to present statements that are fully compliant with the standards. In the future, management will take steps to make the required entries when compiling the financial statements of the School and its component units prior to providing them to the auditor.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

MENLO PARK ACADEMY

CUYAHOGA 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