

**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2017*

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Dave Yost • Auditor of State

Board of Directors
Achieve Career Preparatory Academy
3891 Martha Avenue
Toledo, Ohio 43612

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

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

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

Dave Yost
Auditor of State

March 13, 2018

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**ACHIEVE CAREER PREPARATORY ACADEMY
LUCAS COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Achieve Career Preparatory Academy
Lucas County
3891 Martha Avenue
Toledo, Ohio 43612

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern. As described in Note 16 to the financial statements, the Achieve Career Preparatory Academy has current liabilities exceeding current assets, which raises substantial doubt about the Achieve Career Preparatory Academy's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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



Julian & Grube, Inc.
January 30, 2018

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ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

*Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017*

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

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

Financial Highlights

In 2017,

- Total net position was (\$2,418,450).
- Total assets were \$171,968.
- Deferred outflows of resources were \$601,220.
- Total liabilities were \$3,082,770.
- Deferred inflows of resources were \$108,868.

Using this Annual Report

This report includes the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the Academy did financially during fiscal year 2017. 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.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

This report also includes required supplementary information concerning the Academy's net pension liability, and notes to the required supplementary information.

The Academy uses enterprise presentation for all of its activities.

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Statement of Net Position

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

TABLE 1	<u>Governmental Activities</u>	
	June 30	
	2017	2016
Assets		
Current assets	\$ 100,050	\$ 53,456
Noncurrent assets	71,918	73,336
Total assets	171,968	126,792
Deferred Outflows of Resources		
Pension	601,220	165,615
Total deferred outflows of resources	601,220	165,615
Liabilities		
Current liabilities	855,829	400,459
Noncurrent liabilities		
Due in more than one year		
Notes payable	22,615	45,231
Net pension liability	2,204,326	1,586,645
Total noncurrent liabilities	2,226,941	1,631,876
Total liabilities	3,082,770	2,032,335
Deferred Inflows of Resources		
Pension	108,868	227,807
Total deferred inflows of resources	108,868	227,807
Net Position		
Invested in capital assets—net of related debt	61,918	44,069
Unrestricted	(2,480,368)	(2,011,804)
Total net position	\$(2,418,450)	\$(1,967,735)

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Statement of Net Position (continued)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Statement of Net Position (continued)

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

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Total net position for the Academy decreased \$450,715. Cash was \$21,868. Accounts receivable increased by \$11,928 due to recognition of eRate rebates received after June 30. Intergovernmental payable decreased \$11,337 due to payments of liability to the Ohio Department of Education for prior year FTE adjustments. Contracts payable increased \$466,233 due to increases in uncollected management fees, payroll, and rent.

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ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Change in Net Position

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

TABLE 2	<u>Governmental Activities</u>	
	June 30	
	2017	2016
Operating Revenues		
Foundation payments	\$ 899,512	\$ 1,353,927
Other revenues	24,509	45,636
Nonoperating Revenues		
Federal grants	245,486	244,046
State grants	116,544	119,944
Contributions and donations	175	-
Total revenue	1,286,226	1,763,553
Operating Expenses		
Purchased services	1,519,225	1,749,673
Materials and supplies	107,055	105,880
Depreciation (unallocated)	24,523	29,132
Other expenses	54,420	31,335
Nonoperating Expenses		
Interest and fiscal charges	2,551	1,231
Write off security deposit	29,167	-
Refund of prior year revenues		27,560
Total expenses	1,736,941	1,944,811
Decrease in net position	\$ (450,715)	\$ (181,258)
Net position beginning of year	(1,967,735)	(1,786,477)
Net position end of year	\$(2,418,450)	\$(1,967,735)

Net position decreased by \$450,715. Foundation payments decreased \$454,415 due to decreased student count. Purchased services decreased \$230,448 due to the net effect of pension-related adjustments and lower rent costs. Other expenses increased \$23,085 due to higher building-related insurance costs.

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Capital Assets

At the end of fiscal year 2017, the Academy had \$61,918 invested in capital assets (net of depreciation). Table 3 shows capital assets (net of depreciation) for fiscal years 2017 and 2016.

TABLE 3	<u>Net Capital Assets</u>	
	June 30	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	<u>\$ 61,918</u>	<u>\$ 44,069</u>
Total capital assets	<u><u>\$ 61,918</u></u>	<u><u>\$ 44,069</u></u>

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

Current Financial Issues

Achieve Career Preparatory Academy was formed in 2009. During the 2016-2017 school year there were 109 students enrolled in the Academy. This was below the Academy's initial forecast and below the level necessary for the Academy to function financially without financial assistance from the management company, and resulted in the previously discussed decrease in net position, operating loss of \$781,202, and current liabilities exceeding current assets by \$755,779. Enrollment continues to lag behind desired levels in the 2017-2018 school year and steps are being taken to help increase these counts. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2017 amounted to \$899,512.

Contacting the Academy's Financial Management

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

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

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Statement of Net Position
June 30, 2017

Assets	
Current Assets	
Cash and cash equivalents	\$ 21,868
Accounts receivable	32,235
Intergovernmental receivable	45,621
Prepaid Items	326
	100,050
Total Current Assets	
Non-Current Assets	
Security deposits	10,000
Depreciable capital assets, net	61,918
	71,918
Total Non-Current Assets	
	171,968
Total Assets	
Deferred Outflows of Resources	
Pension	601,220
Liabilities	
Current Liabilities	
Accounts payable	9,119
Accrued wages payable	54,706
STRS-SERS payable	4,490
Contracts payable	730,296
Interest payable	2,111
Notes payable - current portion	30,154
Intergovernmental payable	24,953
	855,829
Total Current Liabilities	
Non-Current Liabilities	
Due in more than one year	
Notes payable	22,615
Net pension liability	2,204,326
	2,226,941
Total Non-Current Liabilities	
	3,082,770
Total Liabilities	
Deferred Inflows of Resources	
Pension	108,868
Net Position	
Invested in capital assets	61,918
Unrestricted (deficit)	(2,480,368)
	(2,418,450)
Total Net Position	
	\$ (2,418,450)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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Operating Revenues	
Foundation payments	\$ 899,512
Other revenues	24,509
	<hr/>
Total Operating Revenues	924,021
	<hr/>
Operating Expenses	
Purchased services	1,519,225
Materials and supplies	107,055
Depreciation	24,523
Other	54,420
	<hr/>
Total Operating Expenses	1,705,223
	<hr/>
Operating Loss	(781,202)
	<hr/>
Non-Operating Revenues and Expenses	
Federal grants	245,486
State grants	116,544
Write off security deposit	(29,167)
Contributions and donations	175
Interest and fiscal charges	(2,551)
	<hr/>
Total Non-Operating Revenues and Expenses	330,487
	<hr/>
Change in Net Position	(450,715)
	<hr/>
Net Position Beginning of Year	(1,967,735)
	<hr/>
Net Position End of Year	<u><u>\$ (2,418,450)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

Increase in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash received from State of Ohio	\$ 898,701
Cash received from other operating revenues	11,599
Cash payments to suppliers for goods and services	<u>(1,169,530)</u>

Net Cash Used for Operating Activities (259,230)

Cash Flows from Noncapital Financing Activities

Federal grants received	225,179
State grants received	127,644
Proceeds from notes	150,000
Principal payments	(165,077)
Interest payments	(3,154)
Proceeds of short term loans	17,000
Repayment of short term loans	(17,000)
Contributions	175
Refunds of prior year revenues	<u>(20,670)</u>

Net Cash Provided by Noncapital Financing Activities 314,097

Cash Flows from Capital and Related Financing Activities

Payments for capital acquisitions	<u>(42,372)</u>
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Net Cash Used for Capital and Related Financing Activities (42,372)

Net Increase in Cash and Cash Equivalents 12,495

Cash and Cash Equivalents at Beginning of Year 9,373

Cash and Cash Equivalents at End of Year \$ 21,868

(Continued)

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017
(continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	\$ (781,202)
 Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	24,523
<i>Changes in Assets and Liabilities:</i>	
Increase in accounts receivable	(11,928)
Increase in intergovernmental receivable	(2,512)
Increase in prepaid items	(326)
Increase in deposits	(9,900)
Increase in deferred outflows	(435,605)
Decrease in accounts payable	(1,782)
Increase in contracts payable	466,233
Increase in accrued wages and benefits	6,137
Decrease in intergovernmental payable	(793)
Decrease in STRS-SERS payable	(10,816)
Increase in net pension liability	617,680
Decrease in deferred inflows	<u>(118,939)</u>
 Total Adjustments	 <u>521,972</u>
 Net Cash Used by Operating Activities	 <u><u>\$ (259,230)</u></u>

At June 30, 2017, \$37,038 of the intergovernmental receivable related to nonoperating activity.

At June 30, 2016, \$17,705 of the intergovernmental receivable related to nonoperating activity.

At June 30, 2017, \$26,237 of the intergovernmental payable related to nonoperating activity.

At June 30, 2016, \$36,781 of the intergovernmental payable related to nonoperating activity.

Non-cash transaction - \$29,167 security deposit was written off

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

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

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Achieve Career Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 102. The Academy's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. As a family of learners, students and staff exhibit an in-depth understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy's programs are currently available to students in grades 9 – 12. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of one year commencing May 8, 2009, with a three-year renewal on July 1, 2010, a two-year renewal on July 1, 2013 and a five-year renewal on July 1, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member 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 the Academy's instructional/support facility staffed by twenty-two certificated teaching personnel and thirteen non-certificated personnel who provide services to 109 students.

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

The State of Ohio requires that the financial activities of all community schools are overseen by a licensed fiscal officer. Effective July 1, 2016, the fiscal officer is employed by the board of directors and is not affiliated with TLG.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a bank account in the Academy's name. Monies for the Academy are maintained in this account or temporarily used to purchase short-term investments.

F. Prepaid Items

Payments made to vendors for services in the amount of \$1,000 and greater that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which the services are consumed.

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

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

Capitalization and Depreciation Policy

<u>Category</u>	<u>Cost Threshold</u>	<u>Useful Life</u>
Leasehold improvements	Professional judgement not less than \$25,000	Life of Lease
Furniture, fixtures, and equipment	Individual item - \$5,000	7 years
EDP equipment and software	Sum of like items in a single purchase -	3 years
Non-EDP equipment	\$12,500	6 years

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets" consists of capital assets, net of accumulated depreciation. Portions of net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

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

J. 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 those estimates.

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Deferred Outflows/Inflows 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 Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources consist of pension. Deferred inflows of resources related to pension are explained in Note 8.

L. Pension

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

3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES

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

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

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES (continued)

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

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

4. DEPOSITS AND INVESTMENTS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is not subject to custodial credit risk.

A. Cash on Hand

At fiscal year end, the Academy had \$500 in undeposited cash on hand which is included in the financial statements as part of "cash and cash equivalents".

B. Custodial Credit Risk of Bank Deposits

At June 30, 2017, the carrying value of all deposits was \$21,368.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. The Academy's bank balance of \$22,577 was fully insured by the Federal Deposit Insurance Corporation.

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

5. RECEIVABLES

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

A summary of the principal items of receivables follows:

Receivables	
<u>Source</u>	<u>June 30, 2017</u>
Intergovernmental receivable:	
Title I	\$ 29,536
Title IIa	50
IDEA	4,809
SERS refund	992
Due from other academies	7,326
Medicaid	265
Casino tax revenue	<u>2,643</u>
Total intergovernmental receivable	<u>\$ 45,621</u>
Accounts receivable:	
eRate rebates	<u>\$ 32,235</u>
Total accounts receivable	<u>\$ 32,235</u>

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

6. CAPITAL ASSETS

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

Capital Asset Activity

<u>Category</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets being depreciated:				
Furniture and fixtures	\$ 297,101	\$ 42,372	\$ 4,667	\$ 334,806
Total depreciable capital assets	297,101	42,372	4,667	334,806
Less accumulated depreciation:				
Furniture and fixtures	(253,032)	(24,523)	(4,667)	(272,888)
Total accumulated depreciation	(253,032)	(24,523)	(4,667)	(272,888)
Total depreciable capital assets - net	<u>\$ 44,069</u>	<u>\$ 17,849</u>	<u>\$ -</u>	<u>\$ 61,918</u>

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ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

7. RISK MANAGEMENT

A. Property and Liability

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

Coverage is as follows:

Insurance Coverages

<u>Type</u>	<u>Limits</u>
Educational Errors and Omissions	
D&O Liability and Employment Practices	\$1,000,000
Student Sports	500,000
Cyber Crime	2,000,000
Student Foreign Travel	1,000,000
Aggregate, All Parts	2,000,000
General Liability	
General Aggregate	2,000,000
Per Occurrence	1,000,000
Auto Liability Combined Single Limit	1,000,000
Abuse/Molestation	1,000,000
Umbrella	15,000,000
Property	
Building	10,650,138
Personal Property	297,101
Business Income	150,000

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

B. Worker's Compensation

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

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

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

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

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The Academy's contractually required contribution to SERS was \$30,406 for fiscal year 2017. The full amount has been contributed for fiscal year 2017.

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

The Academy's contractually required contribution to STRS was \$90,766 for fiscal year 2017. Of that amount, \$4,490 is recorded as a payable to STRS.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 527,552	\$ 1,676,774	\$ 2,204,326
Proportion of the net liability:			
Current measurement date	0.00720790%	0.00500933%	
Prior measurement date	0.00772960%	0.00414511%	
Change in proportionate share	(0.00052170%)	0.00086422%	
Pension expense	\$ 35,764	\$ 148,545	\$ 184,309

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

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 7,116	\$ 67,748	\$ 74,864
Net difference between projected and actual earnings on pension plan investments	43,516	139,216	182,732
Changes of assumptions	35,217	-	35,217
Changes in proportion and differences between Academy contributions and proportionate share of contributions	-	187,235	187,235
Academy contributions subsequent to the measurement date	30,406	90,766	121,172
	<u>\$ 116,255</u>	<u>\$ 484,965</u>	<u>\$ 601,220</u>
Deferred Inflows of Resources			
Changes in proportion and differences between Academy contributions and proportionate share of contributions	\$ 45,930	\$ 62,938	\$ 108,868
	<u>\$ 45,930</u>	<u>\$ 62,938</u>	<u>\$ 108,868</u>

\$121,172 reported as deferred outflows of resources related to pension resulting from the Academy's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Amortization of Deferred Outflows and Deferred Inflows

<u>Fiscal Year Ending June 30:</u>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 2,497	\$ 58,600	\$ 61,097
2019	2,468	58,597	61,065
2020	22,446	112,018	134,464
2021	12,508	102,046	114,554
	<u>\$ 39,919</u>	<u>\$ 331,261</u>	<u>\$ 371,180</u>
Total to be amortized	<u>\$ 39,919</u>	<u>\$ 331,261</u>	<u>\$ 371,180</u>

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions - SERS

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

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

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

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

Calculating Total Pension Liability - SERS

<u>Method</u>	<u>Assumption</u>
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal (Level percent of payroll)
Actuarial assumptions experience study date	5 year period ended June 30, 2015
Investment rate of return	7.50 percent net of investments expense, including inflation
COLA or ad hoc COLA	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Wage inflation	3.00 percent
Mortality assumptions	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

Real Rates of Return - SERS

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long Term Expected Real Rate of Return</u>	
Cash	1.00	%	0.50	%
US stocks	22.50		4.75	
Non-US stocks	22.50		7.00	
Fixed income	19.00		1.50	
Private equity	10.00		8.00	
Real assets	15.00		5.00	
Multi-asset strategy	<u>10.00</u>		3.00	
Total	<u>100.00</u>	%		

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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.

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

Sensitivity to Changes in Discount Rate - SERS

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy’s proportionate share of the net pension liability	\$ 698,446	\$ 527,552	\$ 384,506

F. Actuarial Assumptions - STRS

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

Calculating Total Pension Liability - STRS

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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

Real Rates of Return - STRS

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

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

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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

Sensitivity to Changes in Discount Rate - STRS

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Academy's proportionate share of the net pension liability	\$ 2,228,296	\$ 1,676,774	\$ 1,211,532

G. Changes Between Measurement Date and Report Date - STRS

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

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

9. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

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

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

Contribution for Health Care Including Surcharge - SERS

Fiscal Year Ended <u>June 30</u>	<u>Surcharge</u>	<u>Healthcare</u>	<u>Total</u>	<u>Percent</u> <u>Contributed</u>
2017	\$ 3,633	\$ -	\$ 3,633	100%
2016	2,424	-	2,424	100%
2015	4,206	1,909	6,115	100%

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care.

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

10. CONTINGENCIES

A. Grants

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

B. Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

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

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

11. PURCHASED SERVICE EXPENSES

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

Purchased Services

<u>Category</u>	<u>FY2017</u>
Salaries	\$ 649,596
Fringe benefits	284,351
Other professional and technical services	84,220
The Leona Group, LLC	151,506
Legal services	5,904
Buckeye Community Hope Foundation	28,864
Cleaning services	9,194
Repairs and maintenance	34,612
Building rental	120,000
Other rentals	10,210
Communication	31,616
Advertising	3,165
Utilities	33,560
Contracted food service	71,486
Pupil transportation	941
Total purchased services	<u>\$1,519,225</u>

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ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

12. OPERATING LEASES

On May 19, 2016, the Academy entered into a lease for the period July 1, 2016 through June 30, 2021 with Beverly Victory Avenue Property Holdings, LLC, a TLG-affiliated company. Annual rent for the first two years of the lease is \$120,000, and \$144,000 thereafter.

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

Future Minimum Lease Payments Due

Fiscal Year Ending June 30	Annual Total
2018	\$120,000
2019	144,000
2020	144,000
2021	<u>144,000</u>
Total minimum lease payments	<u>\$552,000</u>

13. DEBT

Debt activity during 2017 is as follows:

	Debt Activity			
<u>Owed To</u>	<u>Balance at 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2017</u>
RBS Citizens NA	\$ -	\$150,000	\$ 150,000	\$ -
The Leona Group, LLC promissory note	67,847	-	15,078	52,769
The Leona Group, LLC short term loan	-	17,000	17,000	-
Net pension liability	<u>1,586,645</u>	<u>617,681</u>	<u>-</u>	<u>2,204,326</u>
Total	<u>\$ 1,654,492</u>	<u>\$784,681</u>	<u>\$ 182,078</u>	<u>\$ 2,257,095</u>

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

13. DEBT (continued)

On September 15, 2016, the Academy entered into a loan agreement with RBS Citizens NA Bank with a maturity date of June 30, 2017. This agreement provides the Academy with \$150,000 for operations of the Academy. The annual rate of interest is a floating rate equal to the Prime Rate, as determined by the Registered Owner.

On June 30, 2011, the Academy entered into a loan agreement with The Leona Group, LLC, with a maturity date of June 30, 2014. This agreement provided the Academy with \$67,847 for operations of the Academy. The annual rate of interest is 4%. Accrued interest on this loan totaled \$2,714. Beginning in July 2016 the Academy began making payments on the loan and accrued interest in 36 equal monthly installments. However, due to cash flow deficiencies, the Academy made only 8 payments in fiscal year 2017. The current and noncurrent portions of this loan exclusive of accrued interest are \$30,154 and \$22,615, respectively.

The Leona Group occasionally extends short-term, unsecured loans to the Academy to alleviate cash flow deficiencies. During 2017, \$17,000 was advanced to the Academy and repaid in full.

See Note 8 for detail on the Academy's net pension liability.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a ten year, two month contract, effective May 8, 2009 through June 30, 2019, with The Leona Group, LLC, for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, TLG receives a capitation fee of 12% of the gross revenue. The amount paid to TLG for fiscal period 2017 totaled \$151,506. Terms of the contracts require TLG to provide the following:

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

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services. Indirect costs benefitting more than one school are charged to each school pro-rated based on how the related service is rendered or costs incurred (i.e. actual expenses incurred, student count, or staffing levels.)

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

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

For the year ended June 30, 2017, those expenses are as follows:

	<u>Regular Instruction</u>	<u>Special Instruction</u>	<u>Support Services</u>	<u>Non- Instructional</u>	<u>Total</u>
Direct expenses:					
Salaries and wages	\$ 256,737	\$ 72,355	\$ 278,806	\$ 34,820	\$ 642,718
Fringe benefits	95,873	24,315	84,092	11,416	215,696
Professional & technical services	-	-	19,141	-	19,141
Property services	-	-	-	110,000	110,000
Contracted craft or trade services	-	-	-	835	835
Transportation	-	-	116	-	116
Supplies	-	-	2,837	-	2,837
Other direct costs	-	-	38,119	-	38,119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 352,610</u>	<u>\$ 96,670</u>	<u>\$ 423,111</u>	<u>\$ 157,071</u>	<u>\$ 1,029,462</u>

At June 30, 2017, the Academy had payables to The Leona Group, LLC in the amount of \$730,296. The following is a schedule of payables to The Leona Group, LLC:

Balance Due to The Leona Group, LLC

<u>Type</u>	<u>June 30, 2017</u>
Management fees	\$ 411,478
Payroll	285,081
Rent	40,000
Miscellaneous	<u>(6,263)</u>
Total	<u>\$ 730,296</u>

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(continued)

15. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2017 consist primarily of the results of current and prior year enrollment/funding reviews by the Ohio Department of Education (see Note 10), and overdrawn Title I funds due to a bookkeeping error.

A summary of the principal items of intergovernmental payables is below:

Intergovernmental Payables

<u>Source</u>	<u>FY2017</u>
ODE final adjustment FY2015	\$ 6,890
ODE final adjustment FY2017	10,840
STRS due to another academy	17
Title I miscalculation	<u>7,206</u>
Total intergovernmental payable	<u>\$ 24,953</u>

16. GOING CONCERN

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

The Academy had an operating loss of \$781,202, a decrease in net position of \$450,715 and current liabilities exceeding current assets by \$755,779 during fiscal year 2017. \$63,137 of the operating loss was due to pension-related activity beyond the control of the Academy. Continuing cash flow deficiencies have hindered the Academy's ability to pay all monthly installments on the note to the management company that originally matured in 2014. Although some prior period payroll has been collected, contracts payable continues to increase as additional unremitted payroll, management fees and rent accrue.

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

REQUIRED SUPPLEMENTARY INFORMATION

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years ⁽¹⁾

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
Academy's proportion of the net pension liability (asset)	0.00500933%	0.00414511%	0.00451202%	0.00451202%
Academy's proportionate share of the net pension liability (asset)	\$ 1,676,774	\$ 1,145,587	\$ 1,097,479	\$ 1,307,310
Academy's covered payroll	\$ 531,707	\$ 432,471	\$ 431,508	\$ 529,969
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	315.36%	264.89%	254.34%	246.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
Academy's proportion of the net pension liability (asset)	0.00720790%	0.00772960%	0.00841400%	0.00841400%
Academy's proportionate share of the net pension liability (asset)	\$ 527,552	\$ 441,058	\$ 425,828	\$ 500,354
Academy's covered payroll	\$ 221,314	\$ 232,693	\$ 245,000	\$ 220,549
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	238.37%	189.54%	173.81%	226.87%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

⁽¹⁾ Information prior to 2014 is not available.

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

ACHIEVE CAREER PREPARATORY ACADEMY

Lucas County, Ohio

Required Supplementary Information

Schedule of Academy Contributions

Last Eight Fiscal Years ⁽¹⁾

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Teachers Retirement System (STRS)				
Contractually required contribution	\$ 90,766	\$ 74,439	\$ 60,546	\$ 56,096
Contributions in relation to the contractually required contribution	<u>(90,766)</u>	<u>(74,439)</u>	<u>(60,546)</u>	<u>(56,096)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$ 648,329	\$ 531,707	\$ 432,471	\$ 431,508
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
School Employees Retirement System (SERS)				
Contractually required contribution	\$ 30,406	\$ 30,984	\$ 30,669	\$ 33,957
Contributions in relation to the contractually required contribution	<u>(30,406)</u>	<u>(30,984)</u>	<u>(30,669)</u>	<u>(33,957)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$ 217,186	\$ 221,314	\$ 232,693	\$ 245,000
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

⁽¹⁾ Fiscal Year 2010 was the Academy's first year of operation

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Eight Fiscal Years ⁽¹⁾

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
State Teachers Retirement System (STRS)				
Contractually required contribution	\$ 68,896	\$ 97,520	\$ 103,329	\$ 62,207
Contributions in relation to the contractually required contribution	<u>(68,896)</u>	<u>(97,520)</u>	<u>(103,329)</u>	<u>(62,207)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$ 529,969	\$ 750,154	\$ 794,838	\$ 478,515
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)				
Contractually required contribution	\$ 30,524	\$ 27,328	\$ 23,552	\$ 21,050
Contributions in relation to the contractually required contribution	<u>(30,524)</u>	<u>(27,328)</u>	<u>(23,552)</u>	<u>(21,050)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$ 220,549	\$ 203,182	\$ 187,367	\$ 155,465
Contributions as a percentage of covered payroll	13.84%	13.45%	12.57%	13.54%

⁽¹⁾ Fiscal Year 2010 was the Academy's first year of operation

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

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

ACHIEVE CAREER PREPARATORY ACADEMY
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: Changes in benefit terms from fiscal year 2016 to fiscal year 2017 are primarily in age and service requirements as shown in the following table:

<u>Age and Service Requirements</u> <u>Fiscal Year 2016 (as of August 1, 2015)</u>	<u>Age and Service Requirements</u> <u>Fiscal Year 2017 (as of August 1, 2016)</u>
Age 60 with five years of qualifying service credit, or;	Age 60 with five years of qualifying service credit, or;
Age 55 with twenty-five years of service, or;	Age 55 with twenty-six years of service, or;
Thirty years of service regardless of age	Thirty-one years of service regardless of age

Eligibility changes are phased in until August 1, 2026

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarially determined contributions from fiscal year 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Achieve Career Preparatory Academy
Lucas County
3891 Martha Avenue
Toledo, Ohio 43612

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Achieve Career Preparatory Academy, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory Academy's basic financial statements and have issued our report thereon dated January 30, 2018, wherein we noted as discussed in Note 16, the accompanying financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Achieve Career Preparatory Academy

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 30, 2018



Dave Yost • Auditor of State

ACHIEVE CAREER PREPARATORY ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2018**