NEWBRIDGE MATH AND READING PREPARATORY ACADEMY

FRANKLIN COUNTY

Audit Report

For the Year Ended June 30, 2017

Charles E. Harris & Associates
certified public accountants & government consultants

Board of Directors
Newbridge Math and Reading Preparatory Academy
3850 Sullivant Avenue
Columbus, Ohio 43228

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

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

Dave Yost
Auditor of State

April 30, 2018

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NEWBRIDGE MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Newbridge Math and Reading Preparatory Academy
Franklin County
3850 Sullivant Avenue
Columbus, Ohio 43228

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 20, on December 1, 2017 the Board passed a resolution to cease operations after the June 30, 2018 school year.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the School'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
March 23, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The discussion and analysis of New Bridge Math and Reading Preparatory Academy's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Total Net Position increased $566 for fiscal year 2017.
- Total revenues increased from $2,072,544 in fiscal year 2016 to in $2,352,465 fiscal year 2017.
- Total expenses increased from $2,164,205 in fiscal 2016 to $2,351,899 in fiscal year 2017.
- Current liabilities decreased by $77,851 and current assets increased by $50,985 in fiscal year 2017.
- Net Pension Liability increased $468,357 which is offset by a decrease of $73,036 in Deferred Inflows.

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

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 School's proportionate share of each plan's collective:

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

Financial Highlights (continued)

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

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

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

Using this Financial Report

This report consists of three parts, the Required Supplementary Information, the financial statements, and notes to the financial statements. The financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors.

Capital Lease

At June 30 2017, the School has outstanding capital lease payables totaling $7,994. See Note 12 for further information.

Current Financial Related Activities

The School has enrollment is of 203 students as of June 30, 2017. The financial outlook over the next several years shows continued growth in enrollment. But, future revenue increases are cautious due to Ohio's weak economic recovery.

Statement of Net Position

The statement of net position answers the question of how well the School performed financially during 2017. This statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, both financial and capital and current and long-term, using the accrual basis of accounting, which is the accounting used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless of when the cash is received or expended.

Table 1 provides a summary of the School's net position for fiscal years 2016 and 2017.

(Table 1)
Statement of Net Position

	2017	2016
Assets		
Current Assets	$ 377,276	$ 326,291
Non-Current Assets	161,749	70,408
Total Assets	539,025	396,699
Deferred Outflow of Resources		
Pension System	880,280	704,570
Liabilities		
Current Liabilities	114,142	191,993
Long Term Liabilities	2,343,985	1,875,628
Total Liabilities	2,458,127	2,067,621
Deferred Inflow of Resources		
Pension System	52,045	125,081
Net Position		
Investment in Capital Assets	23,755	54,969
Unrestricted	(1,114,622)	(1,146,402)
Total Net Position	$ (1,090,867)	$ (1,091,433)

Total assets increased $142,326. This increase is primarily due to an increase loan receivable. Deferred outflows of resources increased $175,710. Total liabilities increased by $390,506. This increase is primarily due to an increase in net pension liability. Deferred inflows of resources decreased $73,036. The changes in deferred outflows and inflows of resources were impacted by the implementation of GASB 68. The School operates under a management agreement with The Educational Empowerment Group, LLC (see notes to the financial statements, note 19).

Statement of Revenues, Expenses, and Changes in Net Position

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

(Table 2)
Change in Net Position

	2017	2016
Operating Revenue		
State basic aid	$ 1,730,923	$ 1,526,972
Casino revenue	9,435	9,066
Facilities aid	40,268	27,150
Miscellaneous local revenue	2,060	35,836
Non-Operating Revenues		
Grants	569,609	473,284
Interest on investments	170	236
Total Revenues	2,352,465	2,072,544
Operating Expenses		
Employee salaries and wages	738,426	791,811
Benefits	431,585	400,612
Purchased services	978,547	820,716
Materials and supplies	130,883	86,164
Depreciation	38,659	38,659
Other expenses	31,577	22,764
Non-Operating Expenses		
Interest and fiscal charges	2,222	3,479
Total Expenses	2,351,899	2,164,205
Change in Net Position	$ 566	$ (91,661)

The reason for the increase in overall revenues from 2017 was primarily due to the increase in FTE, thereby increasing grant aid foundation income. The School's most significant expenses, "Purchased services" are a result of the management agreement in place between the School and EEG, LLC. Effective July 1, 2017, the School entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The term of the Agreement with EEG, LLC is for 3 years and will renew for additional, successive three (3) year terms. The agreement provides that specific percentages of the revenues received by the School will be paid to EEG, LLC to fund operations (see notes to the financial statements, note 19).

Capital Assets

At the end of fiscal year 2017, the School had $31,749 in depreciable capital assets. Table 3 shows the balance for fiscal year 2017 compared to 2016.

(Table 3)

Capital Assets (Net of Depreciation)

	2017	2016
Furniture and Fixtures	$ 31,749	$ 51,408
Leashold Improvements	-	19,000
Totals	$ 31,749	$ 70,408

For more information on capital assets, see note 11 in the notes to the financial statements.

Current Financial Issues

New Bridge received revenue for 203 students in 2017. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries.

The School receives its support almost entirely from state aid. Per pupil revenue from state aid for the School averaged $8,725 in fiscal year 2017. The School receives additional revenues from grant subsidies.

Although there is a possibility that state aid will be cut in future years due to the economic climate, the School feels that the relationship with the management company will insulate them from any significant change.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Fiscal Officer at 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

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NEWBRIDGE MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets	
Cash & cash equivalents	359,108
Ingovernmental receivable	18,168
Total current assets	377,276
Noncurrent assets	
Capital assets, net	31,749
Loan receivable	130,000
Total noncurrent assets	161,749
Total assets	539,025
DEFERRED OUTFLOWS OF RESOURCES	
Pension systems	880,280
LIABILITIES	
Current liabilities	
Accounts payable	9,340
Capital lease payable, due within one year	6,805
Accrued compensation	97,997
Total current liabilities	114,142
Long term liabilities	
Net pension liability	2,342,796
Capital leases payable	1,189
Total long term liabilities	2,343,985
Total liabilities	2,458,127
DEFERRED INFLOWS OF RESOURCES	
Pension systems	52,045
NET POSITION	
Invested in capital assets	23,755
Unrestricted net position	(1,114,622)
Total net position	$ (1,090,867)

The accompanying notes to the financial statements are an integral part of this statement.

NEWBRIDGE MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
State basic aid	$ 1,730,923
Facilities aid	40,268
Miscellaneous local revenue	2,060
Casino revenue	9,435
Total operating revenues	1,782,686
OPERATING EXPENSES	
Employee salaries and wages	738,426
Benefits	431,585
Purchased services	978,547
Materials and supplies	130,883
Depreciation	38,659
Other expenses	31,577
Total operating expenses	2,349,677
Operating loss	(566,991)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	569,609
Interest and fiscal charges	(2,222)
Interest on investments	170
Total non-operating revenues	567,557
Change in net position	566
Net position, July 1, 2016	(1,091,433)
Net position, June 30, 2017	$ (1,090,867)

The accompanying notes to the financial statements are an integral part of this statement.

NEWBRIDGE MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from state	$ 1,773,723
Cash payments to employees for services	(777,015)
Cash payments for employee benefits	(228,528)
Cash payments for goods and services	(1,126,306)
Other Cash Payments	(31,688)
Net cash used for operating activities	(389,814)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from grant programs	569,609
CASH FLOWS FROM INVESTING ACTIVITIES	
Loan given	(130,000)
Cash received from interest on investments	170
Net cash received from investing activities	(129,830)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid-capital lease	(2,222)
Principle payments-capital lease	(7,445)
Net cash received from financing activities	(9,667)
Net increase in cash and cash equivalents	40,298
Cash and cash equivalents at beginning of year	318,810
Cash and cash equivalents at end of year	$ 359,108
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (566,991)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	38,659
Changes in assets, liabilities, and deferred outflows/inflows of resources:	
Intergovernmental receivable	(10,687)
Pension deferred outflows	(175,710)
Accounts payable	(22,954)
Accrued Benefits	(52,520)
Net pension liability	475,164
Pension deferred inflows	(73,036)
Intergovernmental payable	(1,739)
Total adjustments	177,177
Net cash used for operating activities	$ (389,814)

The accompanying notes to the financial statements are an integral part of this statement.

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

New Bridge Math and Reading Preparatory Academy (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with St. Aloysius Orphanage (the Sponsor) for a period of one year starting June 2016 and ending on June 30, 2017. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility. The facility is staffed with teaching personnel who provide services to 203 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources as well as all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2017. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. Cash and Cash Equivalents

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

E. Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of $1,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation of $31,749. Depreciation is computed by the straight-line method over three years for "Furniture and Fixtures, Computers and Software", and five to twenty years for "Leasehold Improvements".

F. Loan Receivable

As of June 30, 2017, The School has a loan receivable from Bridge Gate Community School in the amount of $130,000, due in full to the School on June 30, 2019.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2017 school year totaled $1,780,626.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses

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

I. Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net Position consists of capital assets, net of accumulated depreciation, and unrestricted. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

J. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon 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.

L. Deferred Outflows and Deferred 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) until then. For the School, 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 6.

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 as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 6).

3. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the School 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 government 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 School.

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 No. 78 did not have an effect on the financial statements of the Academy.

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 School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

4. DEPOSITS

At June 30, 2017, the carrying amount of all School deposits was $359,108. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, all of the School's bank balance of $359,108 was covered by the FDIC.

5. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with the O'Neil Group for property and general liability insurance. The property insurance limits are $1,000 deductible and $385,000 aggregate. The general liability insurance limits are $1,000,000 each occurrence and $2,000,000 aggregate. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

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

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

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

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

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

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

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

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

6. DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; 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 year of service; 2.2 percent for the first 30 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 School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the 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 School's contractually required contribution to SERS was $37,278 for fiscal year 2017.

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

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

6. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

6. DEFINED BENEFIT PENSION PLANS (continued)

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

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

The School's contractually required contribution to STRS was $68,626 for fiscal year 2017.

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 independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 451,711	$ 1,891,085	$ 2,342,796
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00617170%	0.00564958%	
Prior Measurement Date	0.00417390%	0.00589594%	
Change in Proportionate Share	0.00199780%	(0.00024636%)	
Pension Expense	$ 82,379	$ 249,943	$ 332,322

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

6. 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 School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 6,093	$ 76,410	$ 82,503
Net difference between projected and actual earnings on pension plan investments	37,261	157,012	194,273
Changes of assumptions	30,154		30,154
Changes in proportion and differences between School contributions and proportionate share of contributions	93,755	373,691	467,446
School District contributions subsequent to the measurement date	37,278	68,626	105,904
Total Deferred Outflows of Resources	$ 204,541	$ 675,739	$ 880,280
Deferred Inflows of Resources			
Difference between School District contributions and proportionate share of contributions	$ -	$ 52,045	$ 52,045
Total Deferred Inflows of Resources	$ -	$ 52,045	$ 52,045

$105,904 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal 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:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2018	$ 148,509	$ 53,897	$ 202,406
2019	148,512	53,874	202,386
2020	208,761	48,783	257,544
2021	49,286	10,709	59,995
	$ 555,068	$ 167,263	$ 722,331

6. 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, prepared as of June 30, 2016, are presented below:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

6. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School proportionate share of the net pension liability	$598,038	$451,711	$329,230

6. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

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

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

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

*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.

6. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – SERS (continued)

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School proportionate share of the net pension liability	$2,513,098	$1,891,085	$1,366,380

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

7. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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.

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. For fiscal year 2017, the School's surcharge obligation was $1,626.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School's contributions for health care for the fiscal year ended June 30, 2017, 2016, and 2015 were $1,626, $2,006, and $4,801, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

7. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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; therefore, the School did not contribute to health care in the last three fiscal years.

8. CONTINGENCIES

A. Grants

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

B. Enrollment FTE

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

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

As of the date of this report, all ODE adjustments through fiscal year 2017 have been completed. The school has booked an Intergovernmental Receivable amount for the subsequent adjustments, see note 14.

8. CONTINGENCIES (continued)

B. Enrollment FTE (continued)

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2017 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

9. FEDERAL TAX STATUS

The School began the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code. In the interim, the School has begun the process to file IRS Form 990, "Return of Organization Exempt from Income Tax".

10. SPONSORSHIP FEES

The School contracts with St. Aloysius to be its sponsor effective July 1, 2013. The contract states "…the annual sponsorship fee to be paid to St. Aloysius be set at 3% of the State's annual School Foundation support…" The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Amount paid to St. Aloysius for fiscal year 2017 was $51,583. In June 2016, the School entered into a one-year agreement with the sponsor ending on June 30, 2017.

11. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2017, follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Depreciable Capital Assets:				
Furniture and Fixtures	$ 107,616	$ -	$ -	$ 107,616
Leashold Improvements	95,000	-	-	95,000
Total Capital Assets being Depreciated	202,616	-	-	202,616
Less: Accumulated Depreciation				
Furniture and Fixtures	(56,208)	(19,659)	-	(75,867)
Leashold Improvements	(76,000)	(19,000)	-	(95,000)
Total Accumulated Depreciation	(132,208)	(38,659)	-	(170,867)
Total Capital Assets being Depreciated, Net	$ 70,408	$ (38,659)	$ -	$ 31,749

12. CAPITAL LEASE OBLIGATIONS

The school entered into a capitalized lease for the acquisition of a copier totaling $6,500 during fiscal year 2014. The School paid $2,073 in principal and $315 in interest for the fiscal year ended June 30, 2017. $388 in principal payments are due in one year.

The school entered into a capitalized lease for the acquisition of a playground totaling $23,800 during fiscal year 2014. The School paid $5,372 in principal and $1,907 in interest for the fiscal year ended June 30, 2017. $6,420 in principal payment is due in one year.

	Principal Outstanding 6/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Due within one year
Equipment Lease	$ 2,461	$ -	$ (2,073)	$ 388	$ 388
Leasehold Improvements	12,978	-	(5,372)	7,606	6,420
Total Long-Term Liabilities	$ 15,439	$ -	$ (7,445)	$ 7,994	$ 6,808

Amortization of the above leases is scheduled as follows:

Fiscal Year	Capital Lease
2018	$ 7,671
2019	1,204
Total	8,875
Less: Amount Representing Interest	(881)
Present Value of minimum payments	$ 7,994

13. PURCHASED SERVICES

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

Personnel Services	$ 302,171
Professional Services	279,227
Building Services	216,085
Food Service	165,911
Sponsor Services	12,731
Transportation	2,422
Total	$ 978,547

14. RECEIVABLES

Receivables at June 30, 2017 consisted of federal grants, state foundation and intergovernmental receivables arising from grants, entitlements, and accounts receivable from miscellaneous governments. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

Funding Source	Amount
Foundation Revenues:	
JV 39 Adjustment	$ 9,345
Intergovernmental Receivable:	
SERS/STRS Overpayment	8,823
Total Intergovernmental Receivable	$ 18,168

15. ACCOUNTS PAYABLE

At June 30, 2017, the School had accounts payable totaling $9,340 due to various vendors during the normal course of conducting operations.

16. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were $78,702 at June 30, 2017 which represents wages, with associated benefits, earned and not paid at June 30, 2017 for certain School teachers paid over a 12 month period.

17. OPERATING LEASES – LESSEE DISCLOSURE

The School leases space from Hillo Real Estate, LLC located at 3850 Sullivant Avenue beginning August 1, 2013 for three (3) years and ending July 31, 2017. The School pays a monthly payment of $13,500. Total paid for fiscal year 2017 was $162,000.

18. LONG-TERM OBLIGATIONS

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

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Due Within One Year
Net Pension Liability					
STRS	$1,629,465	$ 261,620	$ -	$1,891,085	$ -
SERS	238,167	213,544	-	451,711	-
Total Net Pension Liability	$1,867,632	$ 475,164	$ -	$2,342,796	$ -

19. AGREEMENT WITH EDUCATIONAL EMPOWERMENT GROUP, LLC

Effective July 1, 2016, the School entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The initial term of the Agreement with EEG, LLC will expire on June 30, 2017 and will automatically renew for 3 additional years unless one party notifies the other party no later than six months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to EEG, LLC. EEG, LLC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay EEG, LLC a monthly continuing fee of 9 percent of the School's "Qualified gross revenues", defined in the Agreement as, all revenues and income received by the School except for charitable contributions. The continuing fee is paid to EEG, LLC based on the qualified gross revenues.

The School had purchased services for the year ended June 30, 2017, to EEG, LLC, of $317,579 to EEG, LLC. EEG, LLC will be responsible for procuring the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the school or reimbursed to EEG, LLC.

20. School Closure

Board of Directors passed a resolution on December 1, 2017 to cease operations of the School upon the completion of the 2017-2018 schoolyear due to Sponsor electing to non-renew the School Sponsorship Contract.

Newbridge Math and Reading Preparatory Academy
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
School's Proportion of the Net Pension Liability	0.00564958%	0.00589594%	0.00371743%	0.00371743%
School's Proportionate Share of the Net Pension Liability	$ 1,891,085	$ 1,629,465	$ 904,208	$ 1,077,086
School's Covered Payroll	$ 628,886	$ 723,457	$ 448,085	$ 153,000
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	300.70%	225.23%	201.79%	703.98%
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)				
School's Proportion of the Net Pension Liability	0.00617170%	0.00417390%	0.00383700%	0.00383700%
School's Proportionate Share of the Net Pension Liability	$ 451,711	$ 238,167	$ 194,188	$ 228,174
School's Covered Payroll	$ 180,314	$ 345,425	$ 128,521	$ 49,220
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	250.51%	68.95%	151.09%	463.58%
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.

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

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Newbridge Math and Reading Preparatory Academy
Franklin County, Ohio
Required Supplementary Information
Schedule of School Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
State Teachers Retirement System (STRS)					
Contractually Required Contribution	$ 68,626	$ 88,044	$ 101,284	$ 58,251	$ 19,890
Contributions in Relation to the Contractually Required Contribution	(68,626)	(88,044)	(101,284)	(58,251)	(19,890)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 490,186	$ 628,886	$ 723,457	$ 448,085	$ 153,000
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%
School Employees Retirement System (SERS)					
Contractually Required Contribution	$ 37,278	$ 25,244	$ 45,527	$ 17,813	$ 6,812
Contributions in Relation to the Contractually Required Contribution	(37,278)	(25,244)	(45,527)	(17,813)	(6,812)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 266,271	$ 180,314	$ 345,425	$ 128,521	$ 49,220
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Newbridge Math and Reading Preparatory Academy
Franklin County
3850 Sullivant Avenue
Columbus, Ohio 43228

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Newbridge Math and Reading Preparatory Academy, Franklin County, Ohio (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 23, 2018. We also noted the Board voted to cease operations after the June 30, 2018 school year.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 23, 2018.

Purpose of this Report

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

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
March 23, 2018

NEWBRIDGE MATH AND READING PREPARATORY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2018