

Northpointe Academy
Lucas County, Ohio

Final Audit

For the Fiscal Year Ended
June 30, 2018

OHIO AUDITOR OF STATE KEITH FABER



Ohio Council of Community Schools (Sponsor)
Northpointe Academy
3131 Executive Parkway, Suite 306
Toledo, Ohio 43606

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

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 20, 2019

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Northpointe Academy
Lucas County, Ohio
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January 29, 2019

Ohio Council of Community Schools (Sponsor)
Northpointe Academy
Lucas County, Ohio
3131 Executive Parkway Suite 306
Toledo, OH 43606

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of a Matter

As described in Note 3, the Academy restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

As described in Note 15, the Academy closed operations on June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the Academy's Proportionate Share of the Net Pension Liability, Schedule of the Academy's Pension Contributions, Schedule of the Academy's Proportionate Share of the Net OPEB Liability, and Schedule of the Academy's OPEB Contributions* on pages on pages 4-10, 47, 48-49, 50 and 51-52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Lima, Ohio

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The management's discussion and analysis of Northpointe Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should 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 Governments*, 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 2018,

- Total net position was (\$2,616,343).
- Total assets were \$562,477.
- Total deferred outflows of resources were \$1,016,680.
- Total liabilities were \$3,824,821.
- Total deferred inflows of resources were \$370,679.
- The Academy implemented GASB 75, which reduced beginning net position as previously reported by \$891,322.
- A decrease in net pension liability and net OPEB liability substantially decreased fringe benefits (reported as part of purchased services) compare to fiscal year 2017. See further explanation after Table 1.
- The Academy closed effective June 30, 2018.

Using this Annual Report

This report consists of three parts, the basic financial statements, the notes to those statements, and the required supplementary information. 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.

Northpointe Academy Financial Activities

Statement of Net Position; Statement of Revenue, Expenses, and Change in Net Position; and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position answer this question. These statements include all assets, liabilities, deferred outflows and inflows of resources, revenues and expenses, both financial and capital, short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, 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 that, for the Academy as a whole, 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. These statements can be found on pages 11 and 12 of this report. The Statement of Cash Flows can be found on pages 13-14.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Northpointe Academy Financial Activities
Statement of Net Position; Statement of Revenue, Expenses, and Change in Net Position; and the
Statement of Cash Flows (continued)

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 15-46 of this report.

Statement of Net Position

Table 1 provides a summary of the Academy's net position for fiscal years 2018 and 2017:

TABLE 1

	June 30	
	2018	2017 (restated)
Assets		
Current assets	\$ 562,477	\$ 495,897
Capital assets - net	-	51,395
Total assets	<u>562,477</u>	<u>547,292</u>
Deferred Outflows of Resources		
Pension	989,031	1,058,409
OPEB	27,649	6,226
Total deferred outflows of resources	<u>1,016,680</u>	<u>1,064,635</u>
Liabilities		
Current liabilities	284,765	195,999
Noncurrent liabilities		
Due in more than one year		
Net pension liability	2,868,617	4,143,473
Net OPEB liability	671,439	897,548
Total liabilities	<u>3,824,821</u>	<u>5,237,020</u>
Deferred Inflows of Resources		
Pension	240,854	-
OPEB	129,825	-
Total deferred inflows of resources	<u>370,679</u>	<u>-</u>
Net Position		
Invested in capital assets—net of related debt	-	51,395
Unrestricted	(2,616,343)	(3,676,488)
Total net position	<u><u>\$(2,616,343)</u></u>	<u><u>\$(3,625,093)</u></u>

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Statement of Net Position (continued)

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

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

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

- a) present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- b) minus plan assets available to pay these benefits

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

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Statement of Net Position (continued)

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

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

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$2,733,771) to (\$3,625,093).

Total net position for the Academy increased \$1,008,750. Cash increased \$49,533. Receivables increased \$33,783, primarily attributable to refunds expected from SERS and STRS. Due to the closure of the Academy, capital assets were all sold at auction or donated to other academies as of June 30, 2018. Accounts payable-related parties increased \$50,595 due to larger bonuses paid in 2018.

In 2018, the net pension liability decreased \$1,274,856, which represents a 30.77% decrease from 2017. This decrease, along with the decrease of \$69,378 in deferred outflows and the \$240,854 increase in deferred inflows, is the result of changes in related accruals associated with GASB 68. These accounts represent changes in expected and actual experience, projected and actual earnings on investments, changes in assumptions, contributions subsequent to the measurement date, and change in proportion. See Note 8 for further information.

In 2018, the net OPEB liability decreased \$226,109, which represents a 25.19% decrease from 2017. This decrease, along with the increase of \$21,423 in deferred outflows and the \$129,825 increase in deferred inflows, is the result of changes in related accruals associated with GASB 75. These accounts represent changes in expected and actual experience, projected and actual earnings on investments, changes in assumptions, contributions subsequent to the measurement date, and change in proportion. See Note 9 for further information.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Change in Net Position

Table 2 shows the changes in net position for fiscal years 2018 and 2017, as well as a listing of revenues and expenses.

TABLE 2

	June 30	
	2018	2017
Operating Revenues		
Foundation payments	\$ 2,157,391	\$ 2,867,888
Other revenues	83,636	93,136
Nonoperating Revenues		
Federal grants	688,445	655,463
State grants	12,775	21,517
Sale of assets	17,835	-
Total revenue	2,960,082	3,638,004
Operating Expenses		
Purchased services	1,751,023	3,609,434
Materials and supplies	74,451	140,384
Depreciation (unallocated)	68,003	43,896
Other expenses	53,291	54,316
Nonoperating Expenses		
Special assessments	4,564	4,024
Total expenses	1,951,332	3,852,054
Increase (decrease) in net position	\$ 1,008,750	\$ (214,050)

Net position increased \$1,008,750. Foundation payments decreased \$710,497 due to decreased enrollment. Decrease in purchased services of \$1,858,411 is due to pension and OPEB adjustments resulting from changes in net pension/OPEB liability and related deferrals as well as decreased enrollment. Materials and supplies decreased \$65,933, also due to decreased enrollment.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Change in Net Position (continued)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$6,226 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$(110,716). Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 expenses under GASB 75		\$ 1,951,332
Negative OPEB Expense under GASB 75		110,716
2018 contractually required contribution		6,991
Adjusted 2018 expenses		2,069,039
Total 2017 expenses under GASB 45		3,852,054
Decrease in expenses not related to OPEB		\$ (1,783,015)

Capital Assets

Due to the closure of the Academy at June 30, 2018, all leasehold improvements were retired and other capital assets were donated to other academies or sold at auction. Table 3 shows capital assets (net of depreciation) for the fiscal years 2018 and 2017.

TABLE 3	<u>Net Capital Assets</u>	
	June 30	
	2018	2017
Leasehold improvements	\$ -	\$ 4,606
Furniture	-	9,328
EDP equipment and software	-	31,600
Non-EDP equipment	-	5,861
Total capital assets	\$ -	\$ 51,395

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Current Financial Issues

Northpointe Academy was formed in 2007 under a contract with the Ohio Council of Community Schools. During the 2017-2018 school year there were 248 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2018 amounted to \$2,157,391.

On December 12, 2017, the Academy's sponsor, Ohio Council of Community Schools, provided the Academy a notice to non-renew their sponsorship agreement with the Academy effective June 30, 2018. The Academy unsuccessfully appealed this decision and the decision was affirmed by the sponsor on January 17, 2018. On February 6, 2018 the Board of Directors passed a resolution to close the Academy effective June 30, 2018.

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Statement of Net Position
June 30, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 368,755
Accounts receivable	11,455
Intergovernmental receivables	168,440
Prepaid items	13,827
	13,827

Total Assets	562,477
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Deferred Outflows of Resources

Pension	989,031
OPEB	27,649
	27,649

Total Deferred Outflows of Resources	1,016,680
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Liabilities

Current Liabilities

Accounts payable	83,406
Accounts payable - related party	179,096
Contracts payable	3,886
Intergovernmental payable	13,070
STRS-SERS payable	5,307
	5,307
Total current liabilities	284,765

Noncurrent Liabilities

Due in more than one year	
Net pension liability	2,868,617
Net OPEB liability	671,439
	671,439
Total noncurrent liabilities	3,540,056

Total Liabilities	3,824,821
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Deferred Inflows of Resources

Pension	240,854
OPEB	129,825
	129,825

Total Deferred Inflows of Resources	370,679
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Net Position

Unrestricted (deficit)	(2,616,343)
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Total Net Position	(\$2,616,343)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHPOINTE ACADEMY
Lucas County, Ohio
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2018

Operating Revenues	
Foundation payments	\$2,157,391
Other revenues	83,636
Total operating revenues	<u>2,241,027</u>
Operating Expenses	
Purchased services (Note 11)	1,751,023
Materials and supplies	74,451
Depreciation	68,003
Other	53,291
Total operating expenses	<u>1,946,768</u>
Operating Income	<u>294,259</u>
Nonoperating Revenues and Expenses	
Federal grants	688,445
State grants	12,775
Proceeds from sale of assets	17,835
Special assessments	(4,564)
Total nonoperating revenues and expenses	<u>714,491</u>
Change in Net Position	1,008,750
Net Position Beginning of Year (Restated - see Note 3)	<u>(3,625,093)</u>
Net Position End of Year	<u><u>(\$2,616,343)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHPOINTE ACADEMY
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Increase in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash received from State of Ohio	\$2,132,956
Cash received from other operating revenues	89,881
Cash payments to suppliers for goods and services	<u>(2,848,447)</u>

Net Cash Used for Operating Activities (625,610)

Cash Flows from Noncapital Financing Activities

Federal grants received	673,572
State grants received	15,213
Special assessments	<u>2,966</u>

Net Cash Provided by Noncapital Financing Activities 691,751

Cash Flows from Capital and Related Financing Activities:

Payments for capital acquisitions	<u>(16,608)</u>
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Net Cash Used for Capital and Related Financing Activities (16,608)

Net Increase in Cash and Cash Equivalents 49,533

Cash and Cash Equivalents at Beginning of Year 319,222

Cash and Cash Equivalents at End of Year \$368,755

NORTHPOINTE ACADEMY
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Reconciliation of Operating Income to Net Cash Used for Operating Activities

Operating income	\$294,259
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Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities

Depreciation	68,003
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Changes in assets and liabilities:

Decrease in accounts receivable	17,188
Increase in intergovernmental receivable	(34,377)
Decrease in prepaid items	16,736
Decrease in deferred outflows-pension	69,378
Increase in deferred outflows-OPEB	(21,423)
Increase in accounts payable	67,138
Increase in accounts payable-related party	50,594
Decrease in contracts payable	(2,876)
Decrease in intergovernmental payable	(25,251)
Increase in STRS-SERS payable	5,307
Decrease in net pension liability	(1,274,856)
Decrease in net OPEB liability	(226,109)
Increase in deferred inflows-pension	240,854
Increase in deferred inflows-OPEB	129,825

<i>Total Adjustments</i>	<u>(919,869)</u>
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<i>Net Cash Used for Operating Activities</i>	<u><u>(\$625,610)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Northpointe Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to prepare its students for future success through challenging and relevant curriculum combined with meaningful instruction and opportunities for leadership. The Academy is committed to preparing its students to be successful in a constantly evolving and information-centered society. They will introduce key concepts to each student, such as social tolerance and understanding as well as academic excellence, while creating a relevant learning environment. In doing so, students will receive the highest quality education and be encouraged and guided to embrace critical thinking in every aspect of their lives through the use of information technology and business concepts. 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.

On March 14, 2007, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 20, 2012. This contract has since been renewed through June 30, 2018. 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 total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2018 totaled \$63,232.

The Academy operates under the direction of a six-member board of directors, which is also the governing board for another The Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by forty-one certificated personnel and seventeen non-certificated personnel who provide services to 248 students.

The board of directors 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 management fee (see Note 14).

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

On December 12, 2017, the Sponsor gave notice to non-renew the sponsorship agreement with the Academy effective June 30, 2018. The Academy unsuccessfully appealed this decision, and on February 6, 2018, the board of directors passed a resolution to close the Academy effective June 30, 2018. See Note 15 for more information.

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. Descriptions of the more significant of the Academy's accounting policies follow.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

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 change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net 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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as “cash and cash equivalents” on the statement of net position and is maintained in a demand account. The Academy had no investments during the fiscal year ended June 30, 2018.

F. 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 on the date donated. 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 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 and non-EDP equipment	Individual item - \$4,000	5 years
EDP equipment and software		3 years

G. 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.

H. Estimates

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position 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 that time. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and other post-employment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 8 and 9.

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 and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 8 and 9.

J. Pensions/Other Post-Employment Benefits (OPEB)

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

K. Prepayments

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

3. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

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

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

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

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

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

Restatement of Net Position

Net Position June 30, 2017	\$ (2,733,771)
Adjustments:	
Net OPEB Liability	(897,548)
Deferred Outflow - OPEB-Payments Subsequent to Measurement Date	6,226
Restated Net Position, July 1, 2017	\$ (3,625,093)

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

4. DEPOSITS

At June 30, 2018, the carrying value of all deposits was \$368,755. 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 local banks; therefore, the Academy has not adopted a formal investment policy.

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. Of the Academy's bank balance of \$370,199, \$250,000 was covered by Federal depository insurance and \$120,199 was exposed to custodial credit risk.

5. RECEIVABLES

Receivables at June 30, 2018 consisted primarily of intergovernmental grants, miscellaneous receipts, auction proceeds, and refunds. 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, 2018</u>
Intergovernmental receivable:	
Title I	\$ 52,058
School Improvement 1003	11,643
Title IIA	8,918
Title IV	1,045
Child nutrition	16,762
Casino Tax	6,444
Medicaid	18,531
eRate rebate	13,409
SERS refund	17,134
STRS refund	22,496
	168,440
Total intergovernmental receivable	\$ 168,440
Accounts receivable:	
Auction proceeds	\$ 11,240
Sponsor fee due to FTE adjustment	166
Vendor refunds	49
	11,455
Total accounts receivable	\$ 11,455

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

6. CAPITAL ASSETS

Capital assets were liquidated due to the Academy's closure at June 30, 2018. Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

Capital Asset Activity

<u>Category</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets being depreciated:				
Furniture	\$ 34,886	\$ -	\$ 34,886	\$ -
EDP equipment and software	181,001	16,608	197,609	-
Non-EDP equipment	26,847	-	26,847	-
Leasehold improvements	23,030	-	23,030	-
Vehicles	3,500	-	3,500	-
Total depreciable capital assets	269,264	16,608	285,872	-
Less accumulated depreciation:				
Furniture	(25,558)	(9,328)	(34,886)	-
EDP equipment and software	(149,401)	(48,208)	(197,609)	-
Non-EDP equipment	(20,986)	(5,861)	(26,847)	-
Leasehold improvements	(18,424)	(4,606)	(23,030)	-
Vehicles	(3,500)	-	(3,500)	-
Total accumulated depreciation	(217,869)	(68,003)	(285,872)	-
Total depreciable capital assets - net	\$ 51,395	\$ (51,395)	\$ -	\$ -

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 2018, 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>FY2018 Limits</u>
<i>Educational Errors and Omissions:</i>	
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
<i>General Liability:</i>	
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
<i>Property:</i>	
TIB	23,030
Personal Property	241,071
Business Income	200,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

B. Workers' 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.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 accrued wages payable and/or STRS-SERS payable on the accrual basis of accounting.

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.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund (see Note 9).

The Academy's contractually required contribution to SERS was \$45,477 for fiscal year 2018. Of that amount, \$419 is recorded as a liability of the Academy.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 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 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

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 therefore has included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$105,162 for fiscal year 2018. Of that amount, \$15,905 is recorded as a liability of the Academy.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability:			
Current measurement date	0.01154450%	0.00917213%	
Prior measurement date	<u>0.01376170%</u>	<u>0.00936947%</u>	
Change in proportionate share	<u>(0.00221720%)</u>	<u>(0.00019734%)</u>	
Proportionate share of the net pension liability	\$ 689,758	\$ 2,178,859	\$ 2,868,617
Pension expense	\$ (12,431)	\$ (801,554)	\$ (813,985)

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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)

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

At June 30, 2018, 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 - Pension			
Differences between expected and actual experience	\$ 29,685	\$ 84,135	\$ 113,820
Changes of assumptions	35,668	476,541	512,209
Changes in proportion and differences between Academy contributions and proportionate share of contributions	73,282	139,081	212,363
Academy contributions subsequent to the measurement date	<u>45,477</u>	<u>105,162</u>	<u>150,639</u>
Total deferred outflows of resources - pension	<u>\$ 184,112</u>	<u>\$ 804,919</u>	<u>\$ 989,031</u>
Deferred Inflows of Resources - Pension			
Differences between expected and actual experience	\$ -	\$ 17,561	\$ 17,561
Net difference between projected and actual earnings on pension plan investments	3,274	71,907	75,181
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>99,988</u>	<u>48,124</u>	<u>148,112</u>
Total deferred inflows of resources - pension	<u>\$ 103,262</u>	<u>\$ 137,592</u>	<u>\$ 240,854</u>

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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)

\$150,639 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Amortization of Deferred Outflows and Deferred Inflows - Pension

<u>Fiscal Year Ending June 30:</u>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 40,016	\$ 136,256	\$ 176,272
2020	28,594	234,069	262,663
2021	(17,159)	165,809	148,650
2022	(16,078)	26,031	9,953
	<u>\$ 35,373</u>	<u>\$ 562,165</u>	<u>\$ 597,538</u>

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.

NORTHPOINTE ACADEMY
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Notes to the Basic Financial Statements
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8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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, 2017
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	2.50 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
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. 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% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 on Pension Plan Investments - 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
	<u>100.00</u> %	

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
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8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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 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	\$ 957,205	\$ 689,758	\$ 465,717

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, 2017
Actuarial assumptions experience study date	July 1, 2011 - June 30, 2016
Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent
Cost-of-living adjustments (COLA)	0.00 percent, effective July 1, 2017
Mortality assumptions	Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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

Real Rates of Return on Pension Plan Investments - STRS

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
	<u>100.00 %</u>	

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

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

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
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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 represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

Sensitivity to Changes in Discount Rate - STRS

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.45%)</u>	<u>(7.45%)</u>	<u>(8.45%)</u>
Academy's proportionate share of the net pension liability	\$ 3,123,320	\$ 2,178,859	\$ 1,383,292

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

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

NORTHPOINTE ACADEMY
Lucas County, Ohio
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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

A. Net OPEB Liability

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

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

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

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

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

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Lucas County, Ohio
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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Academy's surcharge obligation was \$5,307.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$6,991 for fiscal year 2018. Of that amount, \$5,323 is recorded as a liability of the Academy.

NORTHPOINTE ACADEMY
Lucas County, Ohio
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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

C. Plan Description - School Employees Retirement System (STRS)

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability:			
Current measurement date	0.01168430%	0.00917213%	
Prior measurement date	<u>0.01390929%</u>	<u>0.00936947%</u>	
Change in proportionate share	<u>(0.00222499%)</u>	<u>(0.00019734%)</u>	
Proportionate share of the net OPEB liability	\$ 313,576	\$ 357,863	\$ 671,439
OPEB expense	\$ (8)	\$ (110,708)	\$ (110,716)

Deferred outflows and deferred inflows represent the effect of changes in the net OPEB liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions, changes in plan design and changes in the employer’s proportion of the collective net OPEB liability. The deferred outflows and deferred inflows are to be included in OPEB expense over current and future periods. The difference between projected and actual investment earnings is recognized in OPEB 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). Employer contributions to the OPEB plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources - OPEB			
Differences between expected and actual experience	\$ -	\$ 20,658	\$ 20,658
Academy contributions subsequent to the measurement date	<u>6,991</u>	<u>-</u>	<u>6,991</u>
Total deferred outflows of resources - OPEB	<u>\$ 6,991</u>	<u>\$ 20,658</u>	<u>\$ 27,649</u>
Deferred Inflows of Resources - OPEB			
Net difference between projected and actual earnings on OPEB plan investments	\$ 828	\$ 15,296	\$ 16,124
Changes of assumptions	29,757	28,827	58,584
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>46,071</u>	<u>9,046</u>	<u>55,117</u>
Total deferred inflows of resources - OPEB	<u>\$ 76,656</u>	<u>\$ 53,169</u>	<u>\$ 129,825</u>

\$6,991 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Deferred Outflows and Deferred Inflows - OPEB

<u>Fiscal Year Ending June 30:</u>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (27,681)	\$ (6,694)	\$ (34,375)
2020	(27,681)	(6,694)	(34,375)
2021	(21,087)	(6,694)	(27,781)
2022	(207)	(6,694)	(6,901)
2023	-	(2,870)	(2,870)
Thereafter	<u>-</u>	<u>(2,865)</u>	<u>(2,865)</u>
	<u>\$ (76,656)</u>	<u>\$ (32,511)</u>	<u>\$ (109,167)</u>

NORTHPOINTE ACADEMY
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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

E. Actuarial Assumptions - SERS

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

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

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

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

Calculating Total OPEB Liability - SERS

<u>Method</u>	<u>Assumption</u>
Valuation date	June 30, 2017
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
Inflation	3.00 percent
Wage increases, including inflation	3.50 percent to 18.20 percent
Municipal bond index rate	
Prior measurement date	2.92 percent
Measurement date	3.56 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	2.98 percent
Measurement date	3.63 percent
Medical trend assumption	
Pre-Medicare	7.50 percent - 5.00 percent
Medicare	5.50 percent - 5.00 percent
Mortality assumptions	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

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

Real Rates of Return on OPEB Plan Investments - 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
	<u>100.00 %</u>	

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

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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

Sensitivity to Changes in Discount Rate - SERS

	<u>1% Decrease</u> <u>(2.63%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.63%)</u>	<u>1% Increase</u> <u>(4.63%)</u>
Academy's proportionate share of the net OPEB liability	\$ 378,683	\$ 313,576	\$ 261,995

Sensitivity to Changes in Trend Rate - SERS

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB liability	\$ 254,443	\$ 313,576	\$ 391,839

F. Actuarial Assumptions – STRS

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

Calculating Total OPEB Liability - STRS

<u>Method</u>	<u>Assumption</u>
Valuation date	June 30, 2017
Actuarial assumptions experience study date	July 1, 2011 - June 30, 2016
Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3.00 percent
Blended discount rate of return	4.13 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Health care cost trends	6.00 percent - 11.00 percent initial, 4.50 percent ultimate
Cost-of-living adjustments (COLA)	0.00 percent effective July 1, 2017
Mortality assumptions	For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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

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

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

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

Real Rates of Return on OPEB Plan Investments - STRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
	<u>100.00</u> %	

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

NORTHPOINTE ACADEMY
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Notes to the Basic Financial Statements
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9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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

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

Sensitivity to Changes in Discount Rate - STRS

	<u>1% Decrease</u> <u>(3.13%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.13%)</u>	<u>1% Increase</u> <u>(5.13%)</u>
Academy's proportionate share of the net OPEB liability	\$ 480,425	\$ 357,863	\$ 260,998

Sensitivity to Changes in Trend Rate - STRS

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB liability	\$ 248,628	\$ 357,863	\$ 501,629

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018.

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 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 Academy for fiscal year 2018.

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

In addition, the Academy's contracts with Ohio Council of Community Schools and TLG require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2018 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2018, purchased service expenses were payments for services rendered by various vendors and expenses related to pension and OPEB, as follows:

Purchased Services

<u>Category</u>	<u>FY2018</u>
Salaries	\$1,122,302
Fringe benefits	(720,685)
Other professional and technical services	130,017
The Leona Group, LLC	340,833
Legal services	9,374
Ohio Council of Community Schools	63,232
Cleaning services	6,702
Repairs and maintenance	55,557
Building rental	180,000
Other rentals	28,022
Communication	96,386
Advertising	2,988
Utilities	69,998
Contracted food service	132,812
Pupil transportation	233,485
	<hr/>
Total purchased services	<u>\$1,751,023</u>

The negative amount recorded in fringe benefits is the result of adjustments related to pension and OPEB that are outside of the Academy's control (see Notes 8 and 9).

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

12. OPERATING LEASES

On June 27, 2013, the Academy entered into two building lease agreements with The Leona Group, LLC (TLG). The first building is located at 3650 Victory Avenue in Toledo, Ohio, and the second building is located at 540 Independence Road, also in Toledo, Ohio. On April 1, 2017 the leases were assigned to Beverly Victory Avenue Property Holdings, LLC and Beverly Independence Road Property Holdings, LLC, respectively. Both companies are TLG affiliates. The lease periods are from July 1, 2013 through June 30, 2018. Rent expense for the buildings was \$120,000 and \$60,000, respectively, for the year ended June 30, 2018.

Due to the closure of the Academy at June 30, 2018, the leases were not renewed and there are no future obligations.

13. DEBT

The Academy had no debt during fiscal year 2018.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a contract, effective June 28, 2016 through June 30, 2019, with The Leona Group, LLC (TLG) for educational management services for all of the management, operations, administration, and education at the Academy. In exchange for its services, TLG receives a management fee of 12% of revenue less any grant administration fees paid directly to TLG. On April 18, 2017, the contract was amended to provide for a reimbursement to the Academy of any costs associated with the retention of a fiscal officer. The Academy incurred management fees of \$343,183 for the 2018 fiscal year and was credited \$2,350 in costs associated with the fiscal officer. This contract was terminated effective June 30, 2018. See Note 15 for more information.

Terms of the management contract 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.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

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 rent, salaries and fringe benefits of The Leona Group, LLC employees working at the Academy, and other costs related to providing educational and administrative services.

For the year ended June 30, 2018, those expenses are shown in the following table:

	Related Party Transactions				Total
	<u>Function (code range)</u>				
	Regular Instruction (1100)	Special Instruction (1200)	Support Services (2000)	Non- Instructional (3000-7000)	
Direct expenses:					
<u>Object (code range)</u>					
Salaries and wages (100)	\$ 437,022	\$ 281,847	\$ 302,741	\$ 53,740	\$ 1,075,350
Employees' benefits (200)	141,582	85,634	100,422	18,803	346,441
Professional & technical services (410)	-	-	23,118	-	23,118
Property services (420)	-	-	3,646	180,000	183,646
Contracted craft/trade services (460)	-	-	-	2,362	2,362
Transportation (480)	-	-	136	-	136
Supplies (500)	-	-	3,708	-	3,708
Other direct costs (All other)	-	-	19,114	-	19,114
Total expenses	<u>\$ 578,604</u>	<u>\$ 367,481</u>	<u>\$ 452,885</u>	<u>\$ 254,905</u>	<u>\$ 1,653,875</u>

At June 30, 2018, the Academy had a balance due to The Leona Group, LLC in the amount of \$3,886. This consists of outstanding management fees and miscellaneous charges. 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, 2018</u>
Management fees	\$ 10,956
Miscellaneous	<u>(7,070)</u>
Total	<u>\$ 3,886</u>

The statement of net position also includes a liability for accrued wages and benefits due primarily to The Leona Group, LLC in the amount of \$179,096 recorded as accounts payable – related party.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

15. ACADEMY CLOSURE AND SUBSEQUENT EVENTS

On December 12, 2017, citing multiple reasons including but not limited to failure to meet student performance requirements and goals, the Academy's sponsor, Ohio Council of Community Schools, gave notice to the Academy to non-renew their sponsorship agreement effective June 30, 2018. The Academy unsuccessfully appealed this decision and it was re-affirmed by the Sponsor on January 17, 2018. On February 6, 2018, the board of directors passed a resolution to close the Academy effective June 30, 2018.

Capitalized leasehold improvements were retired effective June 30, 2018 and other capitalized and noncapitalized equipment was sold at auction or donated to other academies prior to closure. The Academy has followed ODE closing procedures regarding notices, student records and personal property owned by the Academy.

As of January 29, 2019, the Academy had a cash balance of \$238,278, receivables of \$39,796, and known current liabilities of \$8,086. Once all costs and liabilities are known and all funds due to the Academy have been collected, the Academy will pay its final costs and any residual cash balance will be remitted to the ODE per Ohio Revised Code Section 3314.074.

The Academy had the following cash receipts and disbursements from July 1, 2018 through January 29, 2019:

Subsequent Receipts	
Type	Amount
Federal grants	\$ 91,675
Medicaid	18,531
Casino Tax	6,444
Asset auction proceeds	11,240
Other various refunds	22,413
Total	<u>\$ 150,303</u>

Subsequent Disbursements	
Type	Amount
The Leona Group	\$ 180,672
The Ohio Department of Education	11,167
STRS/SERS adjustment	7,505
Various vendor payments	81,436
Total	<u>\$ 280,780</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>School Employees Retirement System (SERS)</i>					
Academy's proportion of the net pension liability	0.01154450%	0.01376170%	0.01202330%	0.01059700%	0.01059700%
Academy's proportionate share of the net pension liability	\$ 689,758	\$ 1,007,229	\$ 686,061	\$ 536,308	\$ 630,170
Academy's covered payroll	\$ 383,579	\$ 427,386	\$ 361,950	\$ 306,255	\$ 274,971
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	179.82%	235.67%	189.55%	175.12%	229.18%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%
<i>State Teachers Retirement System (STRS)</i>					
Academy's proportion of the net pension liability	0.00917213%	0.00936947%	0.00871127%	0.00850863%	0.00850863%
Academy's proportionate share of the net pension liability	\$ 2,178,859	\$ 3,136,244	\$ 2,407,540	\$ 2,069,593	\$ 2,465,286
Academy's covered payroll	\$ 1,000,214	\$ 999,693	\$ 908,871	\$ 845,823	\$ 769,238
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	217.84%	313.72%	264.89%	244.68%	320.48%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

⁽¹⁾ Information prior to 2014 is not available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NORTHPOINTE ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Pension Contributions
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>School Employees Retirement System (SERS)</i>					
Contractually required pension contribution	\$ 45,477	\$ 53,701	\$ 59,834	\$ 47,705	\$ 42,447
Contributions in relation to the contractually required pension contribution	<u>(45,477)</u>	<u>(53,701)</u>	<u>(59,834)</u>	<u>(47,705)</u>	<u>(42,447)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$336,867	\$ 383,579	\$427,386	\$361,950	\$306,255
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%
<i>State Teachers Retirement System (STRS)</i>					
Contractually required pension contribution	\$105,162	\$ 140,030	\$139,957	\$127,242	\$109,957
Contributions in relation to the contractually required pension contribution	<u>(105,162)</u>	<u>(140,030)</u>	<u>(139,957)</u>	<u>(127,242)</u>	<u>(109,957)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$751,157	\$1,000,214	\$999,693	\$908,871	\$845,823
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NORTHPOINTE ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Pension Contributions
Last Ten Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<i>School Employees Retirement System (SERS)</i>					
Contractually required pension contribution	\$ 38,056	\$ 34,877	\$ 32,417	\$ 8,251	\$ 4,934
Contributions in relation to the contractually required pension contribution	<u>(38,056)</u>	<u>(34,877)</u>	<u>(32,417)</u>	<u>(8,251)</u>	<u>(4,934)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$274,971	\$259,309	\$257,892	\$ 60,938	\$ 50,142
Contributions as a percentage of covered payroll	13.84%	13.45%	12.57%	13.54%	9.84%
<i>State Teachers Retirement System (STRS)</i>					
Contractually required pension contribution	\$100,001	\$ 95,438	\$ 77,288	\$ 23,657	\$ 23,699
Contributions in relation to the contractually required pension contribution	<u>(100,001)</u>	<u>(95,438)</u>	<u>(77,288)</u>	<u>(23,657)</u>	<u>(23,699)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$769,238	\$734,138	\$594,523	\$181,977	\$182,300
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NORTHPOINTE ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years ⁽¹⁾

	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>		
Academy's proportion of the net OPEB liability	0.01168430%	0.01390929%
Academy's proportionate share of the net OPEB liability	\$ 313,576	\$ 396,466
Academy's covered payroll	\$ 383,579	\$ 427,386
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.75%	92.77%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>		
Academy's proportion of the net OPEB liability	0.00917213%	0.00936947%
Academy's proportionate share of the net OPEB liability	\$ 357,863	\$ 501,082
Academy's covered payroll	\$ 1,000,214	\$ 999,693
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.78%	50.12%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

⁽¹⁾ Information prior to 2017 is not available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NORTHPOINTE ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>School Employees Retirement System (SERS)</i>					
Contractually required OPEB contribution	\$ 6,991	\$ 6,226	\$ 6,881	\$ 9,362	\$ 5,898
Contributions in relation to the contractually required OPEB contribution	<u>(6,991)</u>	<u>(6,226)</u>	<u>(6,881)</u>	<u>(9,362)</u>	<u>(5,898)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$336,867	\$ 383,579	\$427,386	\$361,950	\$306,255
Contributions as a percentage of covered payroll	2.08%	1.62%	1.61%	2.59%	1.93%
<i>State Teachers Retirement System (STRS)</i>					
Contractually required OPEB contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,458
Contributions in relation to the contractually required OPEB contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,458)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$751,157	\$1,000,214	\$999,693	\$908,871	\$845,823
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NORTHPOINTE ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
Last Ten Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<i>School Employees Retirement System (SERS)</i>					
Contractually required OPEB contribution	\$ 5,572	\$ 5,665	\$ 4,707	\$ 461	\$ 2,843
Contributions in relation to the contractually required OPEB contribution	<u>(5,572)</u>	<u>(5,665)</u>	<u>(4,707)</u>	<u>(461)</u>	<u>(2,843)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$274,971	\$259,309	\$257,892	\$ 60,938	\$ 50,142
Contributions as a percentage of covered payroll	2.03%	2.18%	1.83%	0.76%	5.67%
<i>State Teachers Retirement System (STRS)</i>					
Contractually required OPEB contribution	\$ 7,692	\$ 7,341	\$ 5,945	\$ 1,820	\$ 1,823
Contributions in relation to the contractually required OPEB contribution	<u>(7,692)</u>	<u>(7,341)</u>	<u>(5,945)</u>	<u>(1,820)</u>	<u>(1,823)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$769,238	\$734,138	\$594,523	\$181,977	\$182,300
Contributions as a percentage of covered payroll	1.00%	1.00%	1.00%	1.00%	1.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

1. NET PENSION LIABILITY

A. Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - 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 was updated to the following:
 - 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 disable member was updated to the following:
 - 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.

B. Changes in Benefit Terms – SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

C. Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

D. Changes in Benefit Terms - STRS

Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

NORTHPOINTE ACADEMY
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

2. NET OPEB LIABILITY

A. Changes in Assumptions - SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

B. Changes in Assumptions – STRS

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

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

January 29, 2019

Ohio Council of Community Schools (Sponsor)
Northpointe Academy
Lucas County, Ohio
3131 Executive Parkway Suite 306
Toledo, OH 43606

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northpointe Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 29, 2019, wherein we noted the Academy closed operations effective June 30, 2018. We also noted in our report that the Academy restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

The Academy's Response to the Finding

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

Purpose of this Report

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

Rea & Associates, Inc.

Lima, Ohio

Northpointe Academy
Lucas County, Ohio
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2018-001 Material Weakness/Non-Compliance

Criteria:

Ohio Rev. Code § 3314.08(H)(2) states a student's enrollment shall be considered to cease on the date on which any of the following occur: (a) The community school receives documentation from a parent terminating enrollment of the student; (b) The community school is provided documentation of a student's enrollment in another public or private school; (c) The community school ceases to offer learning opportunities to the student.

Ohio Rev. Code § 3314.03(A)(6)(b) further provides a requirement that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student.

The Academy's attendance policy, as required under Ohio Revised Code Section 3314.03, requires contact to be made with students' parents or the absence will be considered unexcused.

The **Ohio Department of Education (ODE) EMIS Manual, Section 2.1.1 Student Enrollment Overview** provides guidance on required documentation to be obtained by the Academy and maintained in the student file, including the documentation required for withdrawal for each withdrawal code reported in the SOES system and documentation of excused absences.

Conditions:

We noted during our testing that the Academy was unable to provide documentation in accordance with its policy for two of the five students tested who had excused absences reported in the EMIS system. We also noted one student out of five students tested who was not withdrawn timely, and the Academy did not maintain proper documentation to support the withdrawal code assigned to this student. In addition, the Academy was unable to provide the copies of one student's birth certificate, proof of residency and signed enrollment forms for one out of five students tested.

Cause: Due to the closure of the Academy effective June 30, 2018 and the transfer of the students' records to the Academy's sponsor and subsequently to the students' resident school districts, the Academy was unable to locate the required documentation. In addition, the Academy did not withdraw the student noted above based on the student's last day of attendance.

Effect: Without internal controls over reporting enrollment statistics in EMIS operating effectively, there is an opportunity that the Academy's funding could be calculated based on inaccurate information. Without proper supporting documentation it could be difficult for the Academy to support enrollment information reported through EMIS. Violation of these statutes also places the Academy in violation of its contract with its Management Company, The Leona Group, as the contract requires the Academy to be in compliance with the Ohio laws.

Northpointe Academy
Lucas County, Ohio
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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Finding Number: 2018-001 Material Weakness/Non-Compliance (Continued)

Recommendation: We recommend the Academy maintain the required supporting documentation related to admission, withdrawals and attendance at the Academy in accordance with its Charter, sponsor and management company contracts, the Ohio Rev. Code and the ODE EMIS Manual.

Management's Response: While controls are in place to ensure proper documentation for excused absences as well as accurate and timely enrollment and withdrawal procedures, management recognizes the deficiency in implementing these controls with fidelity. Closure of the Academy effective June 30, 2018 eliminates the opportunity for any further corrective action plan.



Elementary School

3648 Victory Ave
 Toledo, OH 43607
[\(419\) 535-1997](tel:4195351997)

Middle School

540 Independence Rd
 Toledo, OH 43607
[\(419\) 535-1998](tel:4195351998)

Mission

The mission of Northpointe Academy is to prepare its students for future success through challenging and relevant curriculum combined with meaningful instruction and opportunities for leadership.

Vision Statement

Northpointe Academy is committed to preparing its students to be successful in a constantly evolving and information-centered society. We will introduce key concepts to each student, such as social tolerance and understanding as well as academic excellence, while creating a relevant learning environment. In doing so, students will receive the highest quality education, be encouraged and guided to embrace critical thinking in every aspect of their lives through the use of information technology and business concepts.

Values

The ultimate goal is to motivate students to strive for excellence while becoming productive and successful adults in Society.

Northpointe Academy
Lucas County, Ohio
Schedule of Prior Audit Findings
June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Excused Absences: Material Weakness/Non-Compliance	Corrective action taken, Finding is partially corrected.	The attendance policy was updated for the 2017-2018 school year to accept verbal excused absences, which would be documented by school office personnel. However, the school failed to keep adequate records on file. The academy ceased operations and closed, effective June 30, 2018.

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OHIO AUDITOR OF STATE
KEITH FABER



NORTHPOINTE 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
APRIL 2, 2019**