PATRIOT PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
Patriot Preparatory Academy
4938 Beatrice Drive
Columbus, Ohio 43227

We have reviewed the *Report of Independent Auditors* of the Patriot Preparatory Academy, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. 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 Patriot Preparatory Academy is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 9, 2020

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PATRIOT PREPARATORY ACADEMY
FRANKLIN COUNTY
AUDIT REPORT
For the year ended June 30, 2019

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REPORT OF INDEPENDENT AUDITORS

Patriot Preparatory Academy
Franklin County
4938 Beatrice Drive
Columbus, Ohio 43227

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Patriot Preparatory Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise 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 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 opinions 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 Academy'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 Academy'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Patriot Preparatory Academy as of June 30, 2019, and the respective changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities, net OPEB liabilities and pension and OPEB contributions listed in the table of contents, 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 November 15, 2019 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
November 15, 2019

The management's discussion and analysis of Patriot Preparatory Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Academy's financial performance.

Key Financial Highlights of the Academy

Key 2019 financial highlights for the Academy are as follows:

- The Academy saw the net position increase by $210,916 during fiscal year 2019. The Academy is required to report a net pension liability and OPEB liability of $6,023,242 as some of the components that significantly reduces the Academy's net position. By removing the items included from GASB 68 and GASB 75, the Academy would report a net position of $2,744,351.

- The total assets of the Academy were $6,595,073 as of June 30, 2019 which is down 5% from fiscal year 2018. The Academy reported a receivable for the Ohio School Facilities Commission Grant last year and also saw the new construction depreciated for the current fiscal year.

- The Academy decreased the overall debt associated with the Academy by $139,728.

Using this Annual Financial Report and Overview of Financial Statements

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

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

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

The statement of cash flows presented the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

Financial Analysis

Table 1 provides a summary of the Academy's net position at fiscal year-end for fiscal years 2019 and 2018 (GAAP basis).

	2019	2018
Assets:		
Current Assets	$ 391,259	$ 597,974
Noncurrent Assets	6,203,814	6,262,739
Total Assets	6,595,073	6,860,713
Deferred Outflows	1,798,860	1,591,976
Liabilities		
Current Liabilities	797,926	989,498
Long-term Liabilities		
Net Pension Liability	5,092,508	4,945,981
OPEB Liability	930,734	1,305,548
Other Long-term Liabilities	2,822,796	2,994,042
Total Liabilities	9,643,964	10,235,069
Deferred Inflows	878,776	557,343
Net Position:		
Net investment in capital assets	2,690,138	2,619,609
Restricted	2,844	0
Unrestricted	(4,821,789)	(4,959,332)
Total Net Position	$ (2,128,807)	$ (2,339,723)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The Academy also reports under 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/asset 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/asset*. 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/asset to equal the Academy's proportionate share of each plan's collective:

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

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

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

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

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

Other than the pension items, the Academy saw total assets decrease by $265,640 as the Academy saw capital asset decrease with the majority of additions already being reported as construction in progress last year and being depreciated for the year. The intergovernmental receivable dropped between the two years as the receivables related to federal grants made up the majority. The Academy does report a net OPEB asset for one of the retirement systems mainly because of the change in assumptions on the discount rate used. The current liabilities decreased as well as a contracts payable and retainage payable were reported during the construction project last year. Other long-term liabilities decreased as the Academy made payments on the four outstanding debt issuances during the year.

Financial Analysis

Table 2 shows the change in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Changes in Net Position

	2019	2018
Operating Revenues:		
State Foundation	$ 4,535,273	$ 4,108,474
Charges for Services/Fees	211,121	251,838
Other	52,832	45,225
Total Operating Revenues	4,799,226	4,405,537
Operating Expenses:		
Salaries	2,802,101	2,842,254
Fringe Benefits	665,583	(904,158)
Purchased Services	820,699	1,057,902
Materials and Supplies	445,754	388,785
Depreciation	288,925	150,021
Other	40,330	15,286
Total Operating Expenses	5,063,392	3,550,090
Operating Income (Loss)	(264,166)	855,447
Nonoperating Revenues (Expenses)		
Federal and State Grants	685,512	1,879,032
Interest Expenses	(210,430)	(129,978)
Total Nonoperating Revenues (Expenses)	475,082	1,749,054
Change in Net Position	210,916	2,604,501
Net Position, Beginning of Year	(2,339,723)	(4,944,224)
Net Position, End of the Year	$ (2,128,807)	$ (2,339,723)

As the student population actually increased by about forty-eight FTE, the Academy saw the foundation revenue increase over last year by $416,000. The federal and state grant revenue dropped dramatically as the Academy received a large portion of Ohio School Facilities Commission grant funds in fiscal year 2018. The Academy's operating expenses were lower in fiscal year 2018 because of the negative pension/OPEB expense adjustments ($1,911,632) to fringe benefits from the GASB 68 and GASB 75 entries. For fiscal year 2019, the Academy also had a negative pension/OPEB expense of ($339,832). Removing those figures, the operating expenses were actually about $8,500 different between the two fiscal years.

Budget Highlights

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

Capital Assets

At the end of 2019, the Academy had $5,973,814 (net of $932,825 in accumulated depreciation) invested in land, buildings and improvements, and furniture and equipment. Table 3 shows the fiscal year 2019 balances compared to fiscal year 2018:

Table 3
Capital Assets at June 30 (net)

	2019	2018	Change
Land/CIP	$264,600	$3,640,237	($3,375,637)
Building and Improvements	5,652,269	2,541,207	3,111,062
Furniture and Equipment	56,945	81,295	(24,350)
Totals	$5,973,814	$6,262,739	($288,925)

For more information on the Academy's capital assets refer to note 7 of the notes to the financial statements.

Debt

At June 30, 2019, the Academy had one promissory note due to Liberty Christian Academy (former lessor) for $600,000 with a 5.75% interest rate, term of eighty-four months and final maturity of November 1, 2020 that showed $141,637 remaining. The Academy also has a mortgage through Peoples Bank for purchasing of the facility. The mortgage was for $2,000,000 with a 5.43% interest rate and final maturity of October 30, 2023 with a current balance of $1,003,548. The Academy has two lines of credit one for $553,000 to finance the initial renovation construction project with a current balance of $394,077 and another one for $1,800,000 to finance the second phase renovation project with a current balance of $1,732,123. For more information on the Academy's debt refer to Note 12 of the notes to the financial statements.

Current Financial Issues

The Academy continues to see strong enrollment. The Academy received funding in 2018 based on 547 FTE students, which increased to 596 as of final 2019 foundation report. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2020 as of October 2019 amounts to $4,921,095 per student on 665 FTE, which is approximately $542,000 more than fiscal year 2019.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the Academy, 4938 Beatrice Drive, Columbus, Ohio 43227-2113.

PATRIOT PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF NET POSITION

AS OF JUNE 30, 2019

Assets:	
Current assets:	
Cash and cash equivalents	$ 285,836
Restricted cash and cash equivalents	37,000
Accounts receivable	736
Intergovernmental receivable	67,687
Total current assets	391,259
Noncurrent assets:	
Net OPEB asset	230,000
Capital assets:	
Nondepreciable capital assets	264,600
Depreciable capital assets	5,709,214
Total capital assets	5,973,814
Total noncurrent assets	6,203,814
Total Assets	6,595,073
Deferred Outflows of Resources:	
Pension	1,599,259
OPEB	199,601
Total Deferred Outflows of Resources	1,798,860
Liabilities:	
Current liabilities	
Accounts payable	18,517
Accrued wages and benefits payable	280,213
Intergovernmental payable	38,316
Current portion of long term debt	460,880
Total current liabilities	797,926
Long term liabilities	
Net Pension liability	5,092,508
Net OPEB liability	930,734
Other long term liabilities	2,822,796
Total long term liabilities	8,846,038
Total Liabilities	9,643,964
Deferred Inflows of Resources:	
Pension	398,002
OPEB	480,774
Total Deferred Inflows of Resources	878,776
Net Position:	
Net investment in capital assets	2,690,138
Restricted for grants	2,844
Unrestricted	(4,821,789)
Total Net Position	$ (2,128,807)

See accompanying notes to the basic financial statements

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues:		
Foundation payments	$	4,535,273
Classroom fees		16,701
Donations		9,814
Charges for services		89,978
Extracurricular activities		104,442
Other operating revenues		43,018
Total operating revenues		4,799,226
Operating expenses:		
Salaries		2,802,101
Fringe benefits		1,005,415
Changes in net pension and OPEB		(339,832)
Purchased services		820,699
Materials and supplies		445,754
Depreciation		288,925
Other operating expenses		40,330
Total operating expenses		5,063,392
Operating loss		(264,166)
Non-Operating revenues and expenses:		
Federal grants		670,849
Ohio School Facilities Commission Grant		14,663
Interest and fiscal charges		(210,430)
Total non-operating revenues and expenses		475,082
Change in net position		210,916
Net position at beginning of year		(2,339,723)
Net position at end of year	$	(2,128,807)

See accompanying notes to the basic financial statements

PATRIOT PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 4,532,140
Cash received from classroom materials and fees and user fees	217,490
Cash received from other operating revenues	52,832
Cash payments for personal services	(3,792,259)
Cash payments for purchased services	(819,928)
Cash payments for supplies and materials	(444,658)
Cash payments for other expenses	(40,580)
Net cash used for operating activities	(294,963)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	705,296
Net cash provided by noncapital financing activities	705,296
Cash flows from capital and related financing activities:	
Cash received from Ohio School Facilities Commission grants	173,142
Acquisition of capital assets	(219,726)
Face value from debt obligations	232,147
Principal paid on debt obligations	(371,875)
Interest paid on debt obligations	(210,430)
Net cash used by capital and related financing activities	(396,742)
Net change in cash and cash equivalents	13,591
Cash and Cash Equivalents at beginning of year	309,245
Cash and Cash Equivalents at end of year	322,836

Reconciliation of operating income to net cash used for operating activities:

Operating Income	(264,166)
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	288,925
Change in assets and liabilities:	
Decrease in accounts receivable	6,369
Decrease in intergovernmental receivable	21,011
Increase in deferred outflows	(206,884)
Increase in accounts payable	1,247
Decrease in accrued wages and benefits	(3,815)
Decrease in intergovernmental payable	(796)
Increase in deferred inflows	321,433
Decrease in net pension asset/liability	(458,287)
Net cash used for operating activities	$ (294,963)

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

Patriot Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The Academy operates on a foundation which fosters character building for all students, parents and staff members. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Reynoldsburg City Academy Board of Education (the Sponsor) for a period of five years commencing July 1, 2010 and ending June 30, 2015. The contract was renewed and in place for the period July 1, 2015 until June 30, 2017. The Academy switched sponsors to St. Aloysius Orphanage for July 1, 2017 to June 30, 2020. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

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

The Academy operates under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by 25 non-certified and 52 certified employees serving 596 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

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

D. Cash and Investments

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in bank accounts or temporarily used to purchase short-term investments. Restricted cash and cash equivalents represent the remaining balance on deposit from the line of credit that the Academy held for the final construction work at the front entrance of the facility.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Capital Assets and Depreciation

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

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

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

Description	Estimated Lives
Building and Improvements	25
Furniture and Equipment	10

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Intergovernmental Revenues

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

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

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

Amounts awarded under the items above for the year ended June 30, 2019 totaled $5,206,122.

G. Net Position

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the statement of net position. (See Notes 10 and 11)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Pensions/Other Postemployment Benefits (OPEB)

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

J. Estimates

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

K. Operating Revenues and Expenses

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations.* The implementation of the standard had no impact on the financial statements of the Academy.

NOTE 4 – CASH AND CASH EQUIVALENTS

At fiscal year end June 30, 2019, the carrying amount of the Academy's deposits was $322,836, and the bank balance was $359,409. Of the bank balance, $80,765 was not exposed to custodial credit risk as discussed below, while $278,644 was covered by Federal Deposit Insurance.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 5 – PURCHASED SERVICES

For the fiscal year ended June 30, 2019, purchased services expenses were are as follows:

Food Service	$	190,795
Professional and Technical		279,228
Sponsorship		132,480
Utilities		35,840
Legal Services		34,346
Communications		14,738
Travel/Meetings/Transportation		22,658
Property Services		79,523
Other		31,091
	$	820,699

NOTE 6 – RECEIVABLES

Receivables at June 30, 2019, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considers collectable in full. The Academy reported $44,716 for Title I, $11,266 for Title VI-B, $1,596 for Title II-A, $5,814 for SERS and $4,295 for foundation adjustments.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019:

	Restated Balance 6/30/18	Additions	Deductions	Balance 6/30/19
Capital Assets Not Being Depreciated				
Land	$264,600	$0	$0	$264,600
Construction in Progress	3,375,637	0	(3,375,637)	0
Total Capital Assets Not Being Depreciated	3,640,237	0	(3,375,637)	264,600
Capital Assets Being Depreciated				
Building and Improvements	3,110,538	3,375,637	0	6,486,175
Furniture and Equipment	155,863	0	0	155,863
Total Capital Assets Being Depreciated	3,266,401	3,375,637	0	6,642,038
Less Accumulated Depreciation				
Building and Improvements	(569,331)	(264,575)	0	(833,906)
Furniture and Equipment	(74,568)	(24,350)	0	(98,918)
Total Accumulated Depreciation	(643,899)	(288,925)	0	(932,824)
Total Capital Assets Being Depreciated, Net	2,622,502	3,086,712	0	5,709,214
Capital Assets, Net	$6,262,739	$3,086,712	($3,375,637)	$5,973,814

The Academy restated the beginning balance for items included in construction in progress that were reported with the contracts payable during fiscal year 2018 of $97,234 that weren't capitalized items.

NOTE 8 – SPONSORSHIP AGREEMENT

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

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

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

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

During the fiscal year, the Academy paid the Sponsor $131,425 in sponsorship fees.

NOTE 9 – RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2019, the Academy contracted with Cincinnati Insurance Company for the following insurance coverage:

Coverage	Limits of Coverage
General liability:	
Each occurrence	$ 1,000,000
Aggregate	5,000,000
Umbrella liability:	
Each occurrence	5,000,000
Aggregate	5,000,000
Business auto:	
Each occurrence	1,000,000
Empoyee benefits liability:	
Each occurrence	1,000,000
Aggregate	1,000,000

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

B. Workers' Compensation

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

NOTE 10 -- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. 0.5 percent was allocated to the Health Care Fund for fiscal year 2018.

The Academy's contractually required contribution to SERS was $145,791 for fiscal year 2019. Of this amount $3,845 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $251,694 for fiscal year 2019. Of this amount $30,732 is reported as an intergovernmental payable.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability - prior measurement date	0.030421%	0.01316934%	
Proportion of the Net Pension Liability - current measurement date	0.034015%	0.01430074%	
Change in proportionate share	0.003594%	0.001131%	
Proportionate Share of the Net Pension Liability	$1,948,096	$3,144,412	$5,092,508
Pension Expense	$71,101	$296,986	$368,087

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$106,807	$71,972	$178,779
Changes in proportion share	118,430	303,320	421,750
Changes in assumptions	43,993	557,252	601,245
Academy contributions subsequent to the measurement date	145,791	251,694	397,485
Total Deferred Outflows of Resources	$415,021	$1,184,238	$1,599,259
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$53,976	$190,673	$244,649
Differences between expected and actual experience	0	20,534	20,534
Changes in proportion share and difference between Academy contribution and proportionate share of contributions	65,808	67,011	132,819
Total Deferred Inflows of Resources	$119,784	$278,218	$398,002

$397,485 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$168,296	$331,654	$499,950
2021	61,634	222,747	284,381
2022	(63,931)	98,558	34,627
2023	(16,553)	1,367	(15,186)
Total	$149,446	$654,326	$803,772

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement.
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results on an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability were the same as the prior measurement date: (a) the assumed rate of inflation was 3.00%, (b) payroll growth assumption was 3.50%, (c) assumed real wage growth was 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members used to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was followed RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member used the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$2,744,041	$1,948,096	$1,280,750

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study, effective June 30, 2016.

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

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

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

NOTE 10 -- DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	$4,591,999	$3,144,412	$1,919,225

NOTE 11 – DEFINED BENEFIT OPEB PLANS

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.

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

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.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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 2019, 0.5 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 2019, this amount was $21,600. 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 2019, the Academy paid $11,221 for the SERS surcharge.

The Academy's contractually required contribution to SERS was $5,400 for fiscal year 2019. Of this amount $142 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

The net OPEB liability was measured as of June 30, 2018, 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 OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability - prior measurement date	0.0295010%	0.01316934%	
Proportion of the Net OPEB Liability - current measurement date	0.0335488%	0.01430074%	
Change in proportionate share	0.004048%	0.001131%	
Proportionate Share of the Net OPEB Liability/(Asset)	$930,734	($230,000)	$700,734
OPEB Expense (Income)	$77,497	($498,000)	($420,503)

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$15,193	$26,841	$42,034
Changes in proportion share	100,628	40,318	140,946
Academy contributions subsequent to the measurement date	16,621	0	16,621
Total Deferred Outflows of Resources	$132,442	$67,159	$199,601
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$2,176	$26,253	$28,429
Differences between expected and actual experience	0	13,389	13,389
Changes in assumptions	83,620	337,633	421,253
Change in proportionate share	17,703	0	17,703
Total Deferred Inflows of Resources	$103,499	$377,275	$480,774

$16,621 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	($25,684)	$55,718	$30,034
2021	(15,842)	55,718	39,876
2022	15,330	55,718	71,048
2023	15,926	49,756	65,682
2024	16,023	47,664	63,687
Thereafter	6,569	45,542	52,111
Total	$12,322	$310,116	$322,438

Actuarial Assumptions - SERS

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

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

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Academy's proportionate share of the net OPEB liability	$1,129,373	$930,734	$773,450

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Academy's proportionate share of the net OPEB liability	$750,932	$930,734	$1,168,825

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent, effective July 1, 2017 (COLA)
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	-5.23 to 8 percent initial, 4 percent ultimate

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated..

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. 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. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB asset	($196,959)	($230,000)	($257,398)

	1% Decrease	Current Trent Rate	1% Increase
Academy's proportionate share of the net OPEB asset	($255,840)	($230,000)	($203,351)

NOTE 12 – DEBT

The Academy has a mortgage payable from Peoples Bank and two lines of credit during fiscal year 2019. The Academy also has a promissory note payable with Liberty Christian Academy. All of the obligations are secured by the Academy's building and other assets. The principal paid towards the debt obligations were $371,875 during fiscal year 2019. Long-term debt outstanding for the Academy as of June 30, 2019 was as follows:

	Description	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Due Within One Year
(a)	Mortgage	$1,201,997	$0	$198,449	$1,003,548	$210,466
(b)	$600,000 Note	234,886	0	93,249	141,637	98,754
(c)	$553,000 LOC	442,795	0	48,718	394,077	51,510
(d)	$1.8M LOC	1,521,622	232,147	21,646	1,732,123	90,320
(e)	Capital Lease	22,104	0	9,813	12,291	9,830
(f)	Net Pension Liability					
	SERS	1,817,576	130,520	0	1,948,096	0
	STRS	3,128,405	16,077	0	3,144,412	0
(g)	Net OPEB Liability					
	SERS	791,729	139,005	0	930,734	0
	STRS	513,819	0	513,819	0	0
	Total	$9,674,933	$517,749	$885,694	$9,306,918	$460,880

(a) The mortgage from People Bank was executed on October 30, 2013, in the amount of $2,000,000. The mortgage has a maturity date of October 30, 2023. The interest on this obligation is fixed at 5.43 percent. This obligation was the primary security to purchase the Academy's facility.

(b) The promissory note from Liberty Christian Academy was effective October 30, 2013 in the amount of $600,000 to help finance the acquisition of the Academy's facility. The note matures on November 1, 2020 at an interest rate of 5.75%.

(c) The line of credit from Peoples Bank was effective July 1, 2015 in the amount of $553,000 to help finance the construction project to add additional class space to the Academy's facility. The line of credit matures on December 22, 2025 at an interest rate of 5.62%.

(d) The line of credit from Peoples Bank was effective January 31, 2018 with a maximum amount of $1,800,000 to help finance the second phase renovation construction project to the Academy's facility. The line of credit matures on April 1, 2027 at an interest rate of 6.263%.

(e) The capital lease is related to two copiers the Academy entered into an agreement with MT Business Technologies with a final payment due in September 2020.

NOTE 12 – DEBT (continued)

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

(g) The Academy reports a portion of the unfunded net OPEB liability with the School Employees' retirement system as described in Note 11. The State Teachers' Retirement System reports a net OPEB asset for the current year.

Principal and interest requirements to retire long term debt, including mortgage and notes outstanding at June 30, 2019 are as follows:

Fiscal Year	Mortgage Payable		
Ending June 30,	Principal	Interest	Total
2020	$210,466	$50,094	$260,560
2021	222,235	38,325	260,560
2022	234,389	26,171	260,560
2023	247,610	12,950	260,560
2024	88,848	1,409	90,257
Total	$1,003,548	$128,949	$1,132,497

Fiscal Year	$600,000 Note Payable		
Ending June 30,	Principal	Interest	Total
2020	$98,754	$5,567	$104,321
2021	42,883	618	43,501
Total	$141,637	$6,185	$147,822

Fiscal Year	Line of Credit		
Ending June 30,	Principal	Interest	Total
2020	$51,510	$21,177	$72,687
2021	54,580	18,107	72,687
2022	57,773	14,914	72,687
2023	61,152	11,535	72,687
2024	64,709	7,978	72,687
2025-2026	104,353	4,771	109,124
Total	$394,077	$78,482	$472,559

NOTE 12 – DEBT (continued)

Fiscal Year Ending June 30,	Line of Credit Phase 2 Principal	Interest	Total
2020	$90,320	$101,978	$192,298
2021	95,920	96,379	192,299
2022	101,866	90,432	192,298
2023	108,181	84,117	192,298
2024	114,888	77,410	192,298
2025-2029	1,220,948	197,885	1,418,833
Total	$1,732,123	$648,201	$2,380,324

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the Academy entered into a capitalized lease for copiers. The lease meets the criteria of a capital lease as defined by accounting principles generally accepted in the United States, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease was recorded as the present value of the future minimum lease payments as of the inception date. The Academy made principal payments in fiscal year 2019 totaled $9,813 and interest payments of $31.

The following is a schedule of the lease payments required under the capital leases as of June 30, 2019:

Fiscal Year Ending June 30,	Capital Leases Payable Principal	Interest	Total
2020	$9,830	$14	9,844
2021	2,461	1	2,462
Total	$12,291	$15	$12,306

NOTE 14 – CONTIGENCIES

A. Grants

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

NOTE 14 – CONTIGENCIES (continued)

B. Academy Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable at this time. Management believes this may result in either an additional receivable to, or a liability of, the School. As of the June final No.1 report, the Academy has reported a receivable of $4,295.

In addition, the Academy's contract with their sponsor, St. Aloysius Orphanage, require payment based on revenue received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 are not finalized. Until such adjustments are finalized by ODE, the impact of the fiscal year 2019 financial statement related to additional reconciliation necessary with this contract, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy.

NOTE 15 – EMPLOYEE BENEFITS

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

The Academy offers health insurance through United Healthcare. There are six plans available for the employee which costs the Academy $360/mo for employee only, $755/mo for employee plus spouse, $710/mo for employee plus children or $1,110/mo for employee plus spouse plus children. The Academy pays a flat rate depending on the plan selected. Life insurance is provided for $50,000 per employee but additional insurance and spousal/dependent child insurance is available at a cost to the employee, which is based on the carriers going rates based on age and amount of coverage requested.

The Academy also provides short-term disability at no cost to the employee for six months of disability leave. Long term disability insurance is available for the employee to purchase. Additionally, the spouses on the Academy's group insurance plan will receive a $100 premium credit if the spouse completes the preventative care visit and paperwork as well.

NOTE 16 – SUBSEQUENT EVENTS

On August 16, 2019, the Academy refinanced the outstanding debt issues reported in note 12 for $3,098,552 at a fixed rate of 4.75% with a final maturity of August 15, 2029. The loan was issued with a floating rate issue that is backed with a Swap agreement to stabilize the interest rate to the stated fixed rate position.

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

	2018	2017	2016	2015	2014	2013
The Academy's Proportion of the Net Pension Liability	0.0340149%	0.030421%	0.031531%	0.034286%	0.036008%	0.036008%
The Academy's Proportion Share of the Net Pension Liability	$ 1,948,096	$ 1,817,576	$ 2,307,793	$ 1,956,404	$ 1,822,344	$ 2,141,280
The Academy's Covered Payroll	$ 1,118,157	$ 886,086	$ 1,129,198	$ 1,368,371	$ 1,046,307	$ 966,423
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.22%	205.12%	204.37%	142.97%	174.17%	221.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013
The Academy's Proportion of the Net Pension Liability	0.01430074%	0.01316934%	0.01252487%	0.01311537%	0.01268058%	0.01268058%
The Academy's Proportion Share of the Net Pension Liability	$ 3,144,412	$ 3,128,405	$ 4,192,452	$ 3,624,705	$ 3,084,356	$ 3,674,065
The Academy's Covered Payroll	$ 1,651,257	$ 1,374,000	$ 1,285,933	$ 1,032,193	$ 1,295,605	$ 1,312,245
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.43%	227.69%	326.02%	351.17%	238.06%	279.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contributions	$ 145,791	$ 156,542	$ 124,052	$ 149,167	$ 180,351	$ 145,018	$ 133,753	$ 107,160	$ 59,057
Contributions in Relation to the Contractually Required Contribution	(145,791)	(156,542)	(124,052)	(149,167)	(180,351)	(145,018)	(133,753)	(107,160)	(59,057)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 1,041,364	$ 1,118,157	$ 886,086	$ 1,129,198	$ 1,368,371	$ 1,046,307	$ 966,423	$ 796,730	$ 469,824
Contributions as a Percentage of Employee Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

(1) The Academy's first fiscal year was 2011.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contributions	$ 251,694	$ 231,176	$ 192,360	$ 154,312	$ 144,507	$ 168,429	$ 170,592	$ 141,491	$ 88,916
Contributions in Relation to the Contractually Required Contribution	(251,694)	(231,176)	(192,360)	(154,312)	(144,507)	(168,429)	(170,592)	(141,491)	(88,916)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 1,797,814	$ 1,651,257	$ 1,374,000	$ 1,285,933	$ 1,032,193	$ 1,295,605	$ 1,312,245	$ 1,088,393	$ 683,967
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) The Academy's first fiscal year was 2011.

See accompanying notes to the required supplementary information

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

	2018	2017	2016
The Academy's Proportion of the Net OPEB Liability	0.0335488%	0.0295010%	0.0308280%
The Academy's Proportion Share of the Net OPEB Liability	$ 930,734	$ 791,729	$ 840,888
The Academy's Covered Payroll	$ 1,118,157	$ 886,086	$ 1,129,198
The Academy's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.24%	89.35%	74.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2016 is not available

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

See accompanying notes to the required supplementary information

Patriot Preparatory Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability/Asset
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
The Academy's Proportion of the Net OPEB Liability/(Asset)	0.01430074%	0.01316934%	0.01252487%
The Academy's Proportion Share of the Net OPEB Liability/(Asset)	$ (230,000)	$ 513,819	$ 704,300
The Academy's Covered Payroll	$ 1,651,257	$ 1,374,000	$ 1,285,933
The Academy's Proportion Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	(13.93%)	37.40%	54.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2016 is not available

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contributions	$ 5,400	$ 5,798	$ -	$ -	$ 16,102	$ 28,310	$ 22,167	$ 17,457	$ 12,972
Contributions in Relation to the Contractually Required Contribution	(5,400)	(5,798)	-	-	(16,102)	(28,310)	(22,167)	(17,457)	(12,972)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 1,041,364	$ 1,118,157	$ 886,086	$ 1,129,198	$ 1,368,371	$ 1,046,307	$ 966,423	$ 796,730	$ 469,824
Contributions as a Percentage of Covered Payroll	0.52%	0.52%	0.00%	0.00%	1.18%	2.71%	2.29%	2.19%	2.76%

(1) The Academy's first fiscal year was 2011.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contributions	$ -	$ -	$ -	$ -	$ -	$ 12,956	$ 13,122	$ 10,884	$ 6,840
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	(12,956)	(13,122)	(10,884)	(6,840)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered Payroll	$ 1,797,814	$ 1,651,257	$ 1,374,000	$ 1,285,933	$ 1,032,193	$ 1,295,605	$ 1,312,245	$ 1,088,393	$ 683,967
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

(1) The Academy's first fiscal year was 2011.

See accompanying notes to the required supplementary information

Note 1 - Net Pension Liability

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 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 RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
Mortality among disabled members was updated to 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.

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.

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.

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Asset/Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62

percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare	
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Medicare	
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 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.

Changes in Benefit Terms – STRS

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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. This was subsequently extended, see above paragraph.

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

INDEPENDENT AUDITORS' 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*

Patriot Preparatory Academy
Franklin County
4938 Beatrice Drive
Columbus, Ohio 43227

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Patriot Preparatory Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 15, 2019.

Internal Controls 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 opinions 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 Academy'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
November 15, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

PATRIOT PREPARATORY ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 21, 2020

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