



Rea & associates a *brighter* way

# STEAM Academy of Dayton

## Montgomery County, Ohio

*Final Audit*

For the Fiscal Year Ended  
June 30, 2018



# OHIO AUDITOR OF STATE KEITH FABER



Board of Education  
STEAM Academy of Dayton  
545 Odlin Avenue  
Dayton, Ohio 45405

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

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 1, 2019

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**STEAM ACADEMY OF DAYTON  
MONTGOMERY COUNTY, OHIO**

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December 28, 2018

To the Board of Directors  
STEAM Academy of Dayton  
Montgomery County, Ohio  
545 Odlin Ave.  
Dayton, Ohio 45405

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

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

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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

***Emphasis of a Matter***

As described in Note 17 to the financial statements, the Academy restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75, "Accounting and Financial reporting for Postemployment Benefits other than Pensions." Our opinion is not modified with respect to this matter.

Also, as described in Note 18, the Academy closed operations effective June 30, 2018 based on a vote from their governing board with approval by their sponsor. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the Academy's Proportionate Share of the Net Pension Liability, Schedule of the Academy's Contributions-Pension, Schedule of the Academy's Proportionate Share of the Net OPEB Liability, and the Schedule of the Academy's Contributions - OPEB* on pages 5-11, 47-48, 49-50, 51-52, and 53-54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Cambridge, Ohio

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## **STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

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

The discussion and analysis of STEAM Academy of Dayton's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Academy's financial performance.

#### **FINANCIAL HIGHLIGHTS**

Key highlights for fiscal year 2018 are as follows:

- The Academy closed effective June 30, 2018.
- Total revenue decreased to \$2,371,023 as compared to \$2,620,872 in fiscal year 2017.
- Operating expenses decreased to \$2,013,408 as compared to \$2,961,062 in fiscal year 2017.
- The Academy had an operating loss of \$(35,915).
- Net position improved to \$(1,273,521) as compared to restated net position of \$(1,596,445) in fiscal year 2017.
- The Academy implemented GASB 75, which reduced beginning net position as previously reported by \$464,038.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial report consists of three parts; the required supplementary information, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities, deferred outflows/ inflows of resources are included on the statement of net position. The statement of net position answers the question of how well the Academy performed financially during 2018. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

#### **FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

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

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)**

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

**Table 1  
Net Position**

	<u>2018</u>	<u>Restated 2017</u>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and Cash Equivalents	\$ 58,619	\$ 114,146
Intergovernmental Receivable	37,979	24,658
Prepaid Expense	22,614	7,907
Assets Held for Resale	93,400	-
<b>Total currents assets</b>	<u>212,612</u>	<u>146,711</u>
<b>Noncurrent assets:</b>		
Capital Assets, net of Accumulated Depreciation	-	130,527
<b>Total noncurrent assets</b>	<u>-</u>	<u>130,527</u>
<b>Total assets</b>	212,612	277,238
<b>Deferred Outflows of Resources</b>	<u>1,668,688</u>	<u>1,426,929</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts Payable, Trade	83,069	103,380
Accounts Payable, Related Party	251,812	157,335
Accrued Expenses	25,907	13,901
Capital Lease Payable	809	-
Current Portion of Long-Term Debt	42,364	16,592
Advances Payable	-	140,000
<b>Total current liabilities</b>	<u>403,961</u>	<u>431,208</u>
<b>Noncurrent liabilities:</b>		
Net Pension Liability	2,132,148	2,357,575
Net OPEB Liability	493,825	469,465
Noncurrent Portion of Long-term Debt	-	42,364
<b>Total noncurrent liabilities</b>	<u>2,625,973</u>	<u>2,869,404</u>
<b>Total liabilities</b>	3,029,934	3,300,612
<b>Deferred Inflows of Resources</b>	<u>124,887</u>	<u>-</u>
<b>Net Position</b>		
Net Investment in Capital Assets	-	113,935
Unrestricted Net Position	(1,273,521)	(1,710,380)
<b>Total Net Position</b>	<u>(\$1,273,521)</u>	<u>(\$1,596,445)</u>

Results of fiscal year 2018 indicate a deficit in net position of \$1,273,521. The Academy finished fiscal 2018 with 217 students as compared to 259 students in the prior year.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

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

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)**

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

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

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

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.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

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

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)**

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

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

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

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$1,132,407) to (\$1,596,445).

**Statement of Revenues, Expenses and Changes in Net Position** - Table 2 shows the changes in Net Position for fiscal year 2018, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. Overall, the decrease in Operating Revenues was a result of less students being enrolled over the prior year. There were also corresponding decreases across most of the expense categories during fiscal year 2018 due to less students needing to be served and certain expenses being based on a percentage of revenues, which less overall were lower compared to the prior year. In addition, expenses decreased due to negative pension expenses related to changes in net pension and OPEB liabilities and related accruals.

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

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

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)**

**Table 2**  
**Change in Net Position**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
State Aid	\$ 1,977,409	\$ 2,208,939
Miscellaneous	84	243
<b>Total Operating Revenues</b>	<u>1,977,493</u>	<u>2,209,182</u>
<b>Operating Expenses:</b>		
Purchased Services	1,876,682	2,839,260
Depreciation	37,127	37,127
Supplies	78,288	83,814
Other Operating Expense	21,311	861
<b>Total Operating Expenses</b>	<u>2,013,408</u>	<u>2,961,062</u>
<b>Operating Loss</b>	(35,915)	(751,880)
<b>Non-Operating Revenues and (Expenses):</b>		
Federal and State Restricted Grants	393,530	411,690
Interest Expense	(34,691)	(38,703)
<b>Net Nonoperating Revenues and (Expenses)</b>	<u>358,839</u>	<u>372,987</u>
<b>Change in Net Position</b>	<u>\$ 322,924</u>	<u>\$ (378,893)</u>

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**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

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

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (continued)**

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$5,427 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$39,077. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 2,013,408
Negative OPEB expense under GASB 75	39,077
2018 contractually required contribution	<u>5,076</u>
Adjusted 2018 program expenses	2,057,561
Total 2017 program expenses under GASB 45	<u>2,961,062</u>
Decrease in program expenses not related to OPEB	<u>\$ 903,501</u>

**CAPITAL ASSETS**

At the end of fiscal year 2018, the Academy closed and the net book values of the Academy's remaining capital assets were reclassified to "Assets Held for Resale" on the Statement of Net Position. The following table shows fiscal year 2018 compared to 2017:

Capital Assets at June 30 (Net of Depreciation)

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Computer & Software	\$ -	\$18,203	(\$18,203)
Furniture & Equipment	-	49,188	(49,188)
Leasehold Improvements	-	63,136	(63,136)
Net Capital Assets	<u>\$ -</u>	<u>\$130,527</u>	<u>(\$130,527)</u>

For further information, regarding the Academy's capital assets, refer to Note 5 of the basic financial statements.

**DEBT**

At June 30, 2018, the Academy had an outstanding Note Payable to Accel Schools in the amount of \$42,364. For further information regarding the Academy's debt, refer to Note 7 to the basic financial statements.

## **STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

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

#### **OPERATIONS**

The Academy is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through eighth grade. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

At the June 30, 2018, the Academy closed as a result of its sponsor contract not being renewed for a subsequent term. The Academy is performing closing procedures as required by the Ohio Department of Education and will distribute its remaining assets in accordance with State law. See Note 18.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions concerning this report, please contact the Academy's Fiscal Officer, C. David Massa, CPA of Massa Financial Solutions, LLC, 545 Odlin Avenue Dayton, Ohio 45405.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**Statement of Net Position  
June 30, 2018**

**Assets:**

***Current Assets:***

Cash and Cash Equivalents	\$ 58,619
Intergovernmental Receivable	37,979
Prepaid Expense	22,614
Assets Held for Resale	93,400
<b>Total Current Assets</b>	<u>212,612</u>

**Total Assets** 212,612

***Deferred Outflows of Resources:***

Pension	1,539,632
OPEB	129,056
<b>Total Deferred Outflows of Resources</b>	<u>1,668,688</u>

**Liabilities:**

***Current Liabilities:***

Accounts Payable, Trade	83,069
Accounts Payable, Related Party	251,812
Accrued Expenses	25,907
Capital Lease Payable	809
Current Portion of Long-Term Debt	42,364
<b>Total Current Liabilities</b>	<u>403,961</u>

***Noncurrent Liabilities:***

Net Pension Liability	2,132,148
Net OPEB Liability	493,825
<b>Total Noncurrent Liabilities</b>	<u>2,625,973</u>
<b>Total Liabilities</b>	3,029,934

***Deferred Inflows of Resources:***

Pension	69,771
OPEB	55,116
<b>Total Deferred Inflows of Resources</b>	<u>124,887</u>

**Net Position:**

Unrestricted Net Position	<u>(1,273,521)</u>
<b>Total Net Position</b>	<u><u>\$ (1,273,521)</u></u>

See Accompanying Notes to the Basic Financial Statements

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

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

<b>Operating Revenues:</b>	
State Aid	\$ 1,977,409
Miscellaneous	84
<b>Total Operating Revenues</b>	<u>1,977,493</u>
<b>Operating Expenses:</b>	
Purchased Services	1,876,682
Depreciation	37,127
Supplies	78,288
Other Operating Expenses	21,311
<b>Total Operating Expenses</b>	<u>2,013,408</u>
<b>Operating Loss</b>	(35,915)
<b>Non-Operating Revenues and (Expenses):</b>	
Federal and State Restricted Grants	393,530
Interest Expense	(34,691)
<b>Net Non-operating Revenues and (Expenses)</b>	<u>358,839</u>
<b>Change in Net Position</b>	322,924
<b>Net Position Beginning of Year, Restated</b>	<u>(1,596,445)</u>
<b>Net Position End of Year</b>	<u>\$ (1,273,521)</u>

See Accompanying Notes to the Basic Financial Statements

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

State Aid Receipts	\$ 1,988,177
Other Operating Receipts	84
Cash Payments to Suppliers for Goods and Services	<u>(2,233,522)</u>
Net Cash Used For Operating Activities	<u>(245,261)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Charter School Capital Proceeds	1,180,732
Charter School Capital Payments	(1,320,732)
Charter School Capital Program Fees	(33,553)
Note Payable Interest Payments	(1,138)
Federal and State Grant Receipts	<u>380,208</u>
Net Cash Provided By Noncapital Financing Activities	<u>205,517</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Lease Principal Retirement	<u>(15,783)</u>
Net Decrease in Cash and Cash Equivalents	(55,527)
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<u>114,146</u>
<b>Cash and Cash Equivalents - Ending of the Year</b>	<u>\$ 58,619</u>

See Accompanying Notes to the Basic Financial Statements

**(Continued)**

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018  
(Continued)**

**Reconciliation of Operating Loss to Net Cash Used For Operating Activities**

Operating Loss \$ (35,915)

**Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities**

Depreciation 37,127

Changes in Assets, Liabilities, and Deferred Inflows and Outflows:

(Increase)/ Decrease in Deferred Outflows (241,759)

Increase/ (Decrease) in Deferred Inflows 124,887

Increase/ (Decrease) in Net Pension/OPEB Liability (201,067)

(Increase)/Decrease in Prepaid Expense (14,706)

Increase/ (Decrease) in Accounts Payable, Trade (20,311)

Increase/ (Decrease) in Accounts Payable, Related Party 94,477

Increase/(Decrease) in Accrued Expense 12,006

**Net Cash Used For Operating Activities** \$ (245,261)

See Accompanying Notes to the Basic Financial Statements

## STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### **NOTE 1 – DESCRIPTION OF ACADEMY**

STEAM Academy of Dayton (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through Eighth grade. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy. The Academy is a federally recognized 501(c)(3) nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702.

The Academy was approved for operation for a period of five academic years commencing after July 1, 2013 and ending June 30, 2018 through the Ohio Council of Community Schools. 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. At the end of the term, the contract was not renewed by the Sponsor and the Academy ceased operations as a community Academy.

The Academy operates under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operate or manage the Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy contracts with Accel Schools for management services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

The Academy closed operations effective June 30, 2018 (See Note 18).

#### **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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy’s accounting policies are described below.

***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 a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

## STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus** - The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows/ outflows of resources associated with the operation of the Academy 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 position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

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

**Cash and Cash Equivalents** - Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2018.

**Prepaid Items** - The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2018, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**Capital Assets** - The Academy's capital assets during the year ended June 30, 2018 consisted of furniture and equipment, leasehold improvements, and computers and software. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have 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 capitalized.

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

<u>Description</u>	<u>Useful Lives</u>
Furniture & Equipment	5-20 years
Leasehold Improvements	15 years
Computers & Software	5 years

**Net Position** - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2018, there was no net position restricted by enabling legislation.

**Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**Deferred Inflows and Deferred Outflows of Resources** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the 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 Note 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Note 10 and 11)

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

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***Assets Held for Resale*** – At June 30, 2018 the Capital Assets owned by the Academy have been reclassified from Capital Assets to Assets Held for Resale, and are no longer being depreciated.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

The Academy maintains its cash balances at one financial institution, Huntington Bank in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2018, the book amount of the Academy’s deposits was \$58,619 and the bank balance was \$66,590.

**NOTE 4 - RECEIVABLES**

At June 30, 2018, the Academy had receivables in the amount of \$37,979. These receivables represent monies due from Title I, IIA, IDEA, and the National School Lunch Program which was not received as of June 30, 2018. The receivables are expected to be collected within one year.

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**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 5 – CAPITAL ASSETS**

At the end of fiscal year 2018, the Academy closed and has been actively disposing the property. The net book values of the Academy’s remaining capital assets were reclassified to “Assets Held for Resale” on the Statement of Net Position.

The capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 06/30/17	Additions	Reclassified	Balance 06/30/18
Capital Assets:				
Computers & Software	\$ 22,754	\$ -	\$ (22,754)	\$ -
Furniture & Equipment	159,299	-	(159,299)	-
Leasehold Improvements	83,329	-	(83,329)	-
Total Capital Assets	<u>265,382</u>	<u>-</u>	<u>(265,382)</u>	<u>-</u>
Less Accumulated Depreciation:				
Computers & Software	(4,551)	(4,551)	9,102	-
Furniture & Equipment	(110,111)	(27,528)	137,639	-
Leasehold Improvements	(20,193)	(5,048)	25,241	-
Total Accumulated Depreciation	<u>(134,855)</u>	<u>(37,127)</u>	<u>171,982</u>	<u>-</u>
Total Capital Assets, Net	<u>\$ 130,527</u>	<u>\$ (37,127)</u>	<u>\$ (93,400)</u>	<u>\$ -</u>

**NOTE 6 – ADVANCES PAYABLE**

During the fiscal year ending 2018, the Academy received working capital advances from Charter School Capital through a receivables purchase agreement. As the Academy receives its monthly State funding, these advances are repaid, however, the Academy may elect to receive future advances from Charter School Capital by entering into additional agreements. The total cost of funding for the year was \$33,553.

At June 30, 2018 all outstanding advances with Charter School Capital had been repaid. The activity for the year is reflected as follows:

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018
Charter School Capital	\$ 140,000	\$ 1,180,732	\$ (1,320,732)	\$ -
	<u>\$ 140,000</u>	<u>\$ 1,180,732</u>	<u>\$ (1,320,732)</u>	<u>\$ -</u>

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 7 – LONG-TERM OBLIGATIONS**

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

	Restated Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
Pension/OPEB Liability:					
Net Pension Liability	\$ 2,357,575		\$ (225,427)	\$ 2,132,148	\$ -
Net OPEB Liability	469,465	24,360	-	493,825	-
Total Pension/OPEB Liability:	<u>2,827,040</u>	<u>24,360</u>	<u>(225,427)</u>	<u>2,625,973</u>	<u>-</u>
Capital Leases Payable (See Note 14)	16,592	-	(15,783)	809	809
Accel Schools - Notes Payable	42,364	-	-	42,364	42,364
Total Long-Term Obligations	<u>\$ 2,885,996</u>	<u>\$ 24,360</u>	<u>\$ (241,210)</u>	<u>\$ 2,669,146</u>	<u>\$ 43,173</u>

During the fiscal year ended June 30, 2016, the Academy negotiated with Accel Schools to reclassify certain related party accounts payable and long-term obligations held by the former management company, Mosaica Education into a single note in the amount of \$42,364 for a term of 10 years with an interest rate of 2.5%. The note is an interest only note with a balloon payment due at the end of the term, although the Academy may prepay the principal without penalty. Annual interest is paid monthly. Interest in the amount of \$1,138 was paid during the fiscal year. As previously notes, the Academy closed at June 30, 2018, the balance of the note was classified as due in one year.

**NOTE 8 – RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the Academy contracted with Brown & Brown Insurance to provide insurance coverage with the Hartford Casualty Insurance Company and Hanover Insurance Company.

General Liability:	
Each Occurrence	\$ 1,000,000
Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Bodily Injury Limit	1,000,000
Excess/Umbrella Liability:	
Each Occurrence	10,000,000
Aggregate Limit	10,000,000

Settled claims have not exceeded this commercial coverage within the past three years, nor has there been reduction in insurance coverage throughout the year.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 9 – PURCHASED SERVICES**

For the period July 1, 2017 through June 30, 2018, purchased service expenses were as follows:

<u>Purchased Services</u>	<u>Amount</u>
Personnel Services	\$ 828,783
Professional Services	528,160
Property Services	132,220
Utilities	40,487
Travel & Meetings	608
Communications	20,955
Contractual Trade	130,019
Pupil Transportaion	195,450
Total	<u>\$ 1,876,682</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**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.

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.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

***Net Pension Liability – (continued)***

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

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

Age and service requirements for retirement are as follows:

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

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

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

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

***Plan Description - School Employees Retirement System (SERS) – (continued)***

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

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

The Academy's contractually required contribution to SERS was \$31,019 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined

Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

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

The Academy's contractually required contributions to STRS was \$106,478 for fiscal year 2018.

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.00537800%	0.00567280%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.00819270%</u>	<u>0.00691492%</u>	
Change in Proportionate Share	<u>0.00281470%</u>	<u>0.00124212%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 489,495	\$ 1,642,653	\$ 2,132,148
Pension Expense	99,071	(235,360)	(136,289)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the Academy's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods.

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

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 21,067	\$ 63,434	\$ 84,501
Changes of assumptions	25,313	359,266	384,579
Changes in proportion and differences between contributions and proportionate share of contributions	213,588	719,467	933,055
Academy contributions subsequent to the measurement date	<u>31,019</u>	<u>106,478</u>	<u>137,497</u>
Total Deferred Outflows of Resources	<u>\$ 290,987</u>	<u>\$ 1,248,645</u>	<u>\$ 1,539,632</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 0	\$ 13,239	\$ 13,239
Net difference between projected and actual earnings on pension plan investments	<u>2,324</u>	<u>54,208</u>	<u>56,532</u>
Total Deferred Inflows of Resources	<u>\$ 2,324</u>	<u>\$ 67,447</u>	<u>\$ 69,771</u>

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

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

\$137,497 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$134,733	\$473,678	\$608,411
2020	92,635	335,190	427,825
2021	41,688	175,675	217,363
2022	<u>(11,412)</u>	<u>90,177</u>	<u>78,765</u>
Total	<u>\$257,644</u>	<u>\$1,074,720</u>	<u>\$1,332,364</u>

***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.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

***Actuarial Assumptions – SERS – (continued)***

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

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

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

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

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions – SERS – (continued)**

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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	\$679,293	\$489,495	\$330,502

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

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

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

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

\*\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions – STRS - (continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the 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	\$2,354,689	\$1,642,653	\$1,042,872

**Assumption Changes since the Prior Measurement Date**

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

**Benefit Term Changes Since the Prior Measurement Date**

Effective July 1, 2017, the COLA was reduced to zero.

STEAM ACADEMY OF DAYTON – MONTGOMERY COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

***Net OPEB Liability***

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

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

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

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

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

STEAM ACADEMY OF DAYTON – MONTGOMERY COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

***Plan Description - School Employees Retirement System (SERS) – (continued)***

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](http://www.ohsers.org) under Employers/Audit Resources.

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

***Funding Policy*** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Academy's surcharge obligation was \$3,927.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$5,076 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

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

**STEAM ACADEMY OF DAYTON – MONTGOMERY COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

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

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.00546177%	0.00586728%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.00834770%</u>	<u>0.00691492%</u>	
Change in Proportionate Share	<u>0.00288593%</u>	<u>0.00104764%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 224,030	\$ 269,795	\$ 493,825
OPEB Expense	35,245	(74,322)	(39,077)

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 0	\$ 15,574	\$ 15,574
Changes in proportion and differences between Academy contributions and proportionate share of contributions	60,382	48,024	108,406
Academy contributions subsequent to the measurement date	<u>5,076</u>	<u>0</u>	<u>5,076</u>
Total Deferred Outflows of Resources	<u>\$ 65,458</u>	<u>\$ 63,598</u>	<u>\$ 129,056</u>
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	21,259	21,733	42,992
Net difference between projected and actual earnings on OPEB plan investments	<u>592</u>	<u>11,532</u>	<u>12,124</u>
Total Deferred Inflows of Resources	<u>\$ 21,851</u>	<u>\$ 33,265</u>	<u>\$ 55,116</u>

\$5,076 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 14,026	\$ 4,095	\$ 18,121
2020	14,026	4,095	18,121
2021	10,627	4,095	14,722
2022	(148)	4,095	3,947
2023	0	6,978	6,978
Thereafter	<u>0</u>	<u>6,975</u>	<u>6,975</u>
Total	<u>\$ 38,531</u>	<u>\$ 30,333</u>	<u>\$ 68,864</u>

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

***Actuarial Assumptions – SERS – (continued)***

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.

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

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

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Assumptions – SERS – (continued)**

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Academy's proportionate share of the net OPEB liability	\$270,545	\$224,030	\$187,179

  

	1% Decrease (6.5 % decreasing to 4.0%)	Current Trend Rate (7.5 % decreasing to 5.0%)	1% Increase (8.5 % decreasing to 6.0%)
Academy's proportionate share of the net OPEB liability	\$181,784	\$224,030	\$279,944

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

***Actuarial Assumptions – STRS – (continued)***

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

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

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

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

STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

**NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Assumptions – STRS – (continued)**

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Academy's proportionate share of the net OPEB liability	\$362,195	\$269,795	\$196,768

  

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$187,442	\$269,795	\$378,181

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 12 - CONTINGENCIES**

***Grants*** - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2018.

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

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

In addition, the Academy's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy.

**NOTE 13 – BUILDING LEASES**

The Academy entered into a 5-year lease agreement in June 2013, to lease a building from the Archdiocese of Cincinnati, for the use of the building and grounds as a school facility. The lease term ends on June 30, 2018. The annual base rent was \$9,000 per month, which also required a \$9,000 deposit. Total rent expense for the fiscal year ending June 30, 2018 was \$108, 000.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 14 – CAPITAL LEASES PAYABLE**

The Academy entered into several lease agreements for the purchase of furniture, equipment, security, cabling, paging and telephone systems for an original cost of \$127,010. Accumulated depreciation on these items is \$110,418 as of June 30, 2018. The Academy’s lease obligations meet the criteria of a capital lease as defined by the Standards. The equipment has been capitalized in the amount of \$127,010, reported in “Assets Held for Resale”, the present value of the minimum lease payments at the inception of the lease. Principal payments totaled \$15,783 for 2018. \$809 is the total remaining amount due subsequent to year end.

**NOTE 15 - SPONSOR**

The Academy was approved for operation under a contract with the Ohio Council of Community Schools, its sponsor, for a period of five academic years commencing July of 2013. As part of this contract, the Sponsor is entitled to 3% of the total state foundation funds. Total amount due for fiscal year 2018 was \$59,273.

**NOTE 16 – MANAGEMENT COMPANY AND MANAGEMENT COMPANY EXPENSES**

The Academy entered into an agreement with Accel Schools, a management company, to provide legal, financial, and other management support services for fiscal year 2018. The agreement was for a period of five years beginning July 1, 2015. Management fees are calculated as 12.5% of the Academy’s State Revenue, plus 10% of Federal funds or \$20,000 (whichever is less) for managing Federal programs. The total amount due from the Academy for the fiscal year ending June 30, 2018 was \$248,236 and is included under “Purchased Services” on the Statement of Revenues, Expenses and Changes in Net Position.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred by Accel Schools. These expenses include rent, salaries of Accel employees working in at the Academy and other costs related to providing education and administrative services. The total amount billed to the Academy inclusive of the management fee during fiscal year 2018 was \$1,159,386.

The following table is a summary of the management company expenses during fiscal year 2018:

STEAM Academy of Dayton	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<b><i>Direct Expenses:</i></b>					
Salaries & Wages (100 Object Codes)	\$ 684,529	\$ 96,583	\$ 138,041	\$ -	\$ 919,153
Employees’ Benefits (200 Object Codes)	41,693	1,623	9,632	-	52,948
Professional & Technical Services (410 Object Codes)	-	-	261,633	-	261,633
Supplies (500 Object Codes)	2,199	-	2,864	-	5,063
Other Direct Costs (All Other Object Codes)	-	-	6,536	-	6,536
<b><i>Indirect Expenses:</i></b>					
Overhead	-	-	208,461	-	208,461
<b>Total Expenses</b>	<b>\$ 728,421</b>	<b>\$ 98,206</b>	<b>\$ 627,167</b>	<b>\$ -</b>	<b>\$ 1,453,794</b>

Accel Schools charges expenses benefiting more than one school (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2018 by each school it manages.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

**NOTE 17 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

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

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

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

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

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

Net Position June 30, 2017	\$ (1,132,407)
Adjustments:	
Net OPEB liability	(469,465)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>5,427</u>
Restated Net Position June 30, 2017	<u>\$ (1,596,445)</u>

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

**STEAM ACADEMY OF DAYTON – MONTGOMERY COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 18 – ACADEMY CLOSURE**

On June 30, 2018, the Academy closed operations as a result of its sponsor contract not being renewed for a subsequent term. The Academy is performing closing procedures as required by the Ohio Department of Education and will distribute its remaining assets in accordance with State law. The Academy has followed closeout procedures prescribed by the Ohio Department of Education (ODE), regarding official notices to ODE, retirement systems, students, staff and the community. Disposition of student records and property owned by the Academy have also been in accord with ODE requirements.

**NOTE 19 – SUBSEQUENT EVENTS**

As of December 28, 2018 the Academy has a cash balance of \$64,353, know current assets of \$184,134 and liabilities of \$386,287. All property owned by the Academy was donated to another community school, Montgomery Preparatory Academy. Once all costs and liabilities are known and all funds due the Academy have been collected, the Academy will pay its final costs and any residual balance remaining will be remitted to ODE per Ohio Revised Code Section 3314.074.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
SCHOOL EMPLOYEE'S RETIREMENT SYSTEM OF OHIO  
LAST FOUR FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Academy's Proportion of the Net Pension Liability	0.00819270%	0.00537800%	0.00391840%	0.00331300%
Academy's Proportionate Share of the Net Pension Liability	\$ 489,495	\$ 393,620	\$ 223,588	\$ 167,669
Academy's Covered Payroll	\$ 254,779	\$ 197,257	\$ 117,967	\$ 97,244
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.13%	199.55%	189.53%	172.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	69.16%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO  
LAST FOUR FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Academy's Proportion of the Net Pension Liability	0.00691492%	0.00567280%	0.00570490%	0.00366243%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,642,653	\$ 1,963,955	\$ 1,576,667	\$ 890,830
Academy's Covered Payroll	\$ 760,214	\$ 618,729	\$ 595,214	\$ 402,985
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	317.42%	264.89%	221.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - PENSION  
SCHOOL EMPLOYEE'S RETIREMENT SYSTEM OF OHIO  
LAST FIVE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 31,019	\$ 35,669	\$ 27,616	\$ 15,548	\$ 13,478
Contributions in Relation to the Contractually Required Contribution	<u>\$ (31,019)</u>	<u>\$ (35,669)</u>	<u>\$ (27,616)</u>	<u>\$ (15,548)</u>	<u>\$ (13,478)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Academy's Covered Payroll	\$ 229,770	\$ 254,779	\$ 197,257	\$ 117,967	\$ 97,244
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS - PENSION  
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO  
LAST FIVE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 106,478	\$ 106,430	\$ 86,622	\$ 83,330	\$ 52,388
Contributions in Relation to the Contractually Required Contribution	<u>\$ (106,478)</u>	<u>\$ (106,430)</u>	<u>\$ (86,622)</u>	<u>\$ (83,330)</u>	<u>\$ (52,388)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 760,557	\$ 760,214	\$ 618,729	\$ 595,214	\$ 402,985
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information.

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEE'S RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability	0.0083477%	0.0054618%
Academy's Proportionate Share of the Net OPEB Liability	\$ 224,030	\$ 155,681
Academy's Covered Payroll	\$ 254,779	\$ 197,257
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	87.93%	78.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability	0.00691492%	0.00567280%
Academy's Proportionate Share of the Net OPEB Liability	\$ 269,795	\$ 313,784
Academy's Covered Payroll	\$ 760,214	\$ 618,729
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.49%	50.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY CONTRIBUTIONS - OPEB  
SCHOOL EMPLOYEE'S RETIREMENT SYSTEM OF OHIO  
LAST FIVE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution (2)	\$ 5,076	\$ 5,427	\$ 2,814	\$ 967	\$ 135
Contributions in Relation to the Contractually Required Contribution	<u>(5,076)</u>	<u>(5,427)</u>	<u>(2,814)</u>	<u>(967)</u>	<u>(135)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 229,770	\$ 254,779	\$ 197,257	\$ 117,967	\$ 97,244
Contributions as a Percentage of Covered Payroll	2.21%	2.13%	1.43%	0.82%	0.14%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF DAYTON - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE ACADEMY CONTRIBUTIONS - OPEB  
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO  
LAST FIVE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ 4,030
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(4,030)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Academy's Covered Payroll	\$ 760,557	\$ 760,214	\$ 618,729	\$ 595,214	\$ 402,985
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF DAYTON – MONTGOMERY COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

***Net Pension Liability***

***Changes of benefit terms - SERS:***

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

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

***Changes in assumptions - SERS:***

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

***Changes in benefit terms - STRS:***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. Effective for fiscal year 2018, the cost of living adjustment (COLA) was reduced to zero.

***Changes in assumptions - STRS:***

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

STEAM ACADEMY OF DAYTON – MONTGOMERY COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Net OPEB Liability**

**Changes in Assumptions – SERS**

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

Municipal Bond Index Rate:

Fiscal year 2018 3.56 percent

Fiscal year 2017 2.92 percent

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

Fiscal year 2018 3.63 percent

Fiscal year 2017 2.98 percent

**Changes in Assumptions – STRS**

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

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

December 28, 2018

To the Board of Trustees  
STEAM Academy of Dayton  
Montgomery County, Ohio  
545 Odlin Ave,  
Dayton, Ohio 45405

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the STEAM Academy of Dayton, Montgomery County, Ohio (the "Academy") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 28, 2018, in which we noted the Academy restated their net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75, "Accounting and Financial reporting for Postemployment Benefits other than Pensions", and the Academy has closed operations as of June 30, 2018.

**Internal Control over Financial Reporting**

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

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

STEAM Academy of Dayton  
Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards*  
Page 2 of 2

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

**Purpose of this Report**

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

*Rea & Associates, Inc.*

Cambridge, Ohio

# OHIO AUDITOR OF STATE KEITH FABER



**STEAM ACADEMY OF DAYTON**

**MONTGOMERY COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2019**