

BROOKHAVEN INNOVATION ACADEMY

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
of Brookhaven Innovation Academy
Norcross, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of **Brookhaven Innovation Academy** (the "Academy") as of and for the fiscal 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Brookhaven Innovation Academy, as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual (GAAP Basis) on page 26, the Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia on page 27, and the Schedule of Contributions – Teachers Retirement System of Georgia on page 28, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 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 solely 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 8, 2018

BROOKHAVEN INNOVATION ACADEMY

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 181,982
Restricted cash	56,663
Accounts receivable	947
Due from other governments	154,687
Prepaid items	7,561
Security deposit	40,000
Capital assets (nondepreciable)	441,345
Capital assets (depreciable, net of accumulated depreciation)	456,367
Total assets	1,339,552
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	1,986,600
Total deferred outflows of resources	1,986,600
<u>LIABILITIES</u>	
Accounts payable	93,150
Accrued expenses	168,765
Capital lease, due within one year	156,042
Capital lease, due in more than one year	69,198
Note payable, due within one year	345,804
Net pension liability	2,033,233
Total liabilities	2,866,192
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	21,665
Total deferred inflows of resources	21,665
<u>NET POSITION</u>	
Net investment in capital assets	366,668
Restricted for capital projects	56,663
Unrestricted	14,964
Total net position	\$ 438,295

The accompanying notes are an integral part of these financial statements.

BROOKHAVEN INNOVATION ACADEMY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 2,831,636	\$ 1,776,588	\$ -	\$ (1,055,048)
Support services:				
Pupil services	64,558	-	-	(64,558)
Improvement of instructional services	40,673	-	-	(40,673)
General administration	118	-	-	(118)
School administration	754,355	108,906	-	(645,449)
Student transportation	6,650	-	-	(6,650)
Maintenance and operation of plant	577,098	139,718	500,419	63,039
Other support services	30,499	-	-	(30,499)
School nutrition services	36,699	-	-	(36,699)
Interest	64,660	-	-	(64,660)
Total governmental activities	<u>\$ 4,406,946</u>	<u>\$ 2,025,212</u>	<u>\$ 500,419</u>	<u>(1,881,315)</u>
General revenues:				
State supplement				2,050,703
Miscellaneous				218,754
Total general revenues				<u>2,269,457</u>
Change in net position				388,142
Net position - beginning of fiscal year				<u>50,153</u>
Net position - end of fiscal year				<u>\$ 438,295</u>

The accompanying notes are an integral part of these financial statements.

BROOKHAVEN INNOVATION ACADEMY

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

		<u>General Fund</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	181,982
Restricted cash		56,663
Accounts Receivable		947
Due from other governments		154,687
Prepaid items		7,561
Security deposit		40,000
		<hr/>
Total assets	\$	<u>441,840</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable	\$	93,150
Accrued expenditures		164,006
		<hr/>
Total liabilities		<u>257,156</u>
<u>FUND BALANCES</u>		
Nonspendable:		
Prepaid items		7,561
Security deposit		40,000
Restricted for capital projects		56,663
Unassigned		80,460
		<hr/>
Total fund balance		<u>184,684</u>
Total liabilities and fund balances	\$	<u>441,840</u>

The accompanying notes are an integral part of these financial statements.

BROOKHAVEN INNOVATION ACADEMY

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total fund balance - governmental fund	\$	184,684
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:		
Historical cost of capital assets	\$ 1,224,069	
Less accumulated depreciation	<u>(326,357)</u>	
Total capital assets, net of accumulated depreciation		897,712
The net pension liability is not due and payable in the current period and is therefore not reported in governmental funds, along with related amounts.		
Net pension liability	(2,033,233)	
Deferred outflows of resources - pension items	1,986,600	
Deferred inflows of resources - pension items	<u>(21,665)</u>	(68,298)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Note payable	(345,804)	
Capital lease payable	(225,240)	
Accrued interest payable	<u>(4,759)</u>	<u>(575,803)</u>
Net position of governmental activities	\$	<u><u>438,295</u></u>

The accompanying notes are an integral part of these financial statements.

BROOKHAVEN INNOVATION ACADEMY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund
<u>REVENUES</u>	
State funds	\$ 3,945,950
Local funds	719,173
Federal funds	129,965
Total revenues	4,795,088
<u>EXPENDITURES</u>	
Current:	
Instruction	2,418,022
Support services:	
Pupil services	64,558
Improvement of instructional services	40,673
General administration	118
School administration	701,747
Maintenance and operation of plant	577,098
Student transportation	6,650
Other support services	30,499
School nutrition services	36,699
Capital outlays	544,619
Debt service:	
Principal	138,522
Interest	65,012
Total expenditures	4,624,217
Excess of revenues over expenditures	170,871
<u>OTHER FINANCING SOURCES</u>	
Capital leases	96,329
Total other financing sources	96,329
Net change in fund balance	267,200
Fund balance (deficit) - beginning of fiscal year	(82,516)
Fund balance - end of fiscal year	\$ 184,684

The accompanying notes are an integral part of these financial statements.

BROOKHAVEN INNOVATION ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balance - governmental fund	\$	267,200
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay		544,619
Depreciation expense		(202,922)
<p>Contributions to the pension plan in the current fiscal year are deferred outflows and not a reduction of net position on the statement of activities.</p>		
		330,367
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. These are the differences in the treatment of long-term debt and related items:</p>		
Capital lease		(96,329)
Principal payments		138,522
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in interest expense		352
Pension expense		(593,667)
		388,142
Change in net position of governmental activities	\$	388,142

The accompanying notes are an integral part of these financial statements.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: DESCRIPTION OF ACADEMY AND REPORTING ENTITY

REPORTING ENTITY

The Brookhaven Innovation Academy (the "Academy") is a not-for-profit organization organized under the laws of the State of Georgia. The Academy is approved to provide educational services to students from kindergarten to seventh grade. The governing body of the Academy is comprised of a ten member Board of Directors. The Academy operates under a charter with the State Charter School Commission of Georgia (the "Commission"), which is effective until June 30, 2021.

The Academy is located in Norcross, Georgia providing education for over 500 students in grades kindergarten through seventh grade.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy does not consider any of its activities to be business-type activities.

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Academy. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Academy's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Academy related to the administration and support of the Academy's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes (if any), and unrestricted amounts. The net investment in capital assets is calculated by taking the capital assets, net of accumulated depreciation, less any related long-term financing arrangements, and adding back any unspent bond or contract proceeds.

Fund Financial Statements:

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Academy reports only one major governmental fund:

- The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The basis of accounting determines when transactions are reported on the financial statements. The government-wide governmental financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Academy uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Academy considers all revenues reported in the governmental funds to be available if they are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured, and other long-term obligations which are recognized when due and payable. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

The Academy funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Academy's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the Academy for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (August 1 – May 31) and paid over a twelve month period; for the Academy, this period is August 1 through July 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the Academy over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the Academy recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

Grant revenues, state Quality Basic Education (QBE) revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period if availability criteria is met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

RESTRICTED CASH

Amounts that have been donated to the Academy for which the external resource provider has placed stipulations on the use of the funds have been presented on the governmental fund balance sheet as well as the statement of net position as restricted cash.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES

Receivables, which include amounts due from other governments, consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost. The Academy capitalizes assets in excess of \$1,000 with a useful life of greater than one year. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Furniture, fixtures and equipment	3 years
Leasehold improvements	5 years

LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period in which they occur.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy does not report deferred inflows under a modified accrual basis of accounting that qualify for reporting in this category.

The Academy also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Academy's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in the Academy's proportionate share of the net pension liability and the difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions are also reported as deferred outflows of resources or deferred inflows of resources and are amortized over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the Academy to the pension plan before year end but subsequent to the measurement date of the Academy's net pension liability are reported as deferred outflows of resources. These contributions will be recognized as a reduction of the net pension liability in the next fiscal year.

COMPENSATED ABSENCES

It is the Academy's policy to permit employees to earn paid time off benefits. The unused paid time off does not vest with the employees and therefore, no liability is reported associated with the unused paid time off.

PENSIONS

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

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance - The Academy recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Academy and is fiscally advantageous for the Academy. The policy adopted establishes guidance concerning the desired level of fiscal year end fund balance to be maintained by the Academy and the management of fund balance levels and is applicable only to the General Fund of the Academy.

Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

Non spendable – Fund balance reported as “non spendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

Committed – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the Academy’s fiscal year, though the exact amount may be determined subsequently.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY (Continued)

Assigned – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

Unassigned – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The Academy applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available. If restricted resources are not available, the Academy’s policy is to use committed first, then assigned funds, and lastly the unassigned.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Academy annually adopts a budget for use of its allocated state and federal funds as outlined in the Georgia Department of Education defined allotment for the fiscal year. The budget will be prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. When the Academy tentatively adopts the budget, the budget will be advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board of Directors, the budget will be revised as necessary and adopted as the upcoming (or current) fiscal year budget.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2018:

Support services:	
General administration	\$ 118
Student transportation	6,650
Other support services	30,499
Capital outlays	101,074
Debt service	
Principal	25,632

These expenditures in excess of appropriations were funded by proceeds from a capital lease and greater than anticipated revenues, as applicable.

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

COLLATERALIZATION OF DEPOSITS (Continued)

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2018, the Academy's cash and cash equivalent accounts were insured or collateralized as required by state statutes.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the state of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the state of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the state of Georgia,
- (5) Bonds of any public authority created by the laws of the state of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the state of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5: RECEIVABLES

Intergovernmental receivables consist of grant reimbursements due from federal, state or other grantors for expenditures made but not yet reimbursed. The Georgia Department of Education is the main government agency that grants are due from as of June 30, 2018.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ -	\$ 441,345	\$ -	\$ 441,345
Total assets not depreciated	<u>-</u>	<u>441,345</u>	<u>-</u>	<u>441,345</u>
Capital assets, being depreciated:				
Furniture, fixtures and equipment	373,646	96,329	-	469,975
Leasehold improvements	305,804	6,945	-	312,749
Total assets depreciated	<u>679,450</u>	<u>103,274</u>	<u>-</u>	<u>782,724</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	(62,274)	(140,604)	-	(202,878)
Leasehold improvements	(61,161)	(62,318)	-	(123,479)
Total accumulated depreciation	<u>(123,435)</u>	<u>(202,922)</u>	<u>-</u>	<u>(326,357)</u>
Governmental activities assets, net	<u>\$ 556,015</u>	<u>\$ 341,697</u>	<u>\$ -</u>	<u>\$ 897,712</u>

Current fiscal year depreciation expense by function is as follows:

Instruction \$ 202,922

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The Academy has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The Academy has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Academy's insurance coverage in the past two fiscal years.

NOTE 8: LONG-TERM DEBT

The changes in long-term debt during the fiscal year ended June 30, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 267,433	\$ 96,329	\$ 138,522	\$ 225,240	\$ 156,042
Notes payable	345,804	-	-	345,804	345,804
Net pension liability	-	2,226,479	193,246	2,033,233	-
Governmental activities Long-term liabilities	<u>\$ 613,237</u>	<u>\$ 2,322,808</u>	<u>\$ 331,768</u>	<u>\$ 2,604,277</u>	<u>\$ 501,846</u>

CAPITAL LEASES

During the fiscal year ended June 30, 2017, the Academy entered into a capital lease to finance the acquisition of furniture, fixtures and equipment. The lease is for a period of 3 years at an annual fixed interest rate of 10%. Based on the useful life of the equipment and the lease term, the lease qualifies as a capital lease. The lease matures on September 1, 2019.

During the fiscal year ended June 30, 2018, the Academy entered into a capital lease to finance the acquisition of furniture, fixtures and equipment. The lease is for a period of 3 years at an annual fixed interest rate of 10%. Based on the useful life of the equipment and the lease term, the lease qualifies as a capital lease. The lease matures on August 1, 2020.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8: LONG-TERM DEBT (Continued)

CAPITAL LEASES (Continued)

The Academy's future minimum lease payments on its capital leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 171,542
2020	67,293
2021	4,769
Total payments	<u>243,604</u>
Less interest	<u>(18,364)</u>
Principal outstanding	<u>\$ 225,240</u>

As of June 30, 2018, the Academy reported \$446,725 of capital assets under lease with accumulated depreciation of \$132,854. The annual amortization is reported as a component of depreciation expense.

NOTE PAYABLE

In April 2016, the Academy executed a promissory note in the principal amount of \$345,804 to finance the costs of a security deposit and leasehold improvements at its school building. Interest only payments commenced on October 1, 2016 and are due on the first of each month until the note matures and the full principal amount is due on April 1, 2019. The note bears interest at 10%. Future debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 345,804</u>	<u>\$ 28,820</u>	<u>\$ 374,624</u>

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: SHORT-TERM BORROWINGS

COMMERCIAL LINE OF CREDIT FOR CASH FLOW PURPOSES

On July 12, 2016, the Academy executed a commercial line of credit agreement and note with a local financial institution. Under the agreement, the Academy can borrow up to \$250,000 at an interest rate equal to the Wall Street Journal Prime Rate plus 1.00%. Monthly payments of interest were due on the twelfth of each month.

The Line of Credit balance as of June 30, 2017 was \$41,662. Throughout the fiscal year, the Academy drew \$3,237,678 and repaid \$3,279,340 leaving no unpaid principal balance outstanding as of June 30, 2018. The Academy paid \$3,285 of interest related to this line of credit agreement.

RELATED PARTY LOAN

On July 25, 2017, the Academy executed an unsecured promissory note with a member of the Board of Directors. Under the agreement, the board member loaned the Academy \$25,000 to be repaid by August 7, 2017. The stated interest rate on the loan was 0.00% and the loan was repaid in full on August 7, 2017.

NOTE 10: COMMITMENTS AND CONTINGENCIES

GRANT CONTINGENCIES

Amounts received or receivable principally from the federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Academy believes that such disallowances, if any, will be immaterial to its overall financial position.

CONTRACTUAL COMMITMENTS – OPERATING LEASE

The Academy has executed a lease agreement as lessee for its school building facility. The lease agreement runs from July 1 through June 30 of each year with the base rent increasing 3% each year that the Academy agrees to continue occupying the space. For the current year, the Academy made \$358,440 in lease payments under the agreement. The Academy's future commitments related to this operating lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 369,193
2020	380,269
2021	391,677
	<u>\$ 1,141,139</u>

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan description: All teachers of the Academy as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2017. The Academy's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual Academy payroll. Academy contributions to TRS were \$330,367 for the year ended June 30, 2018.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the Academy reported a liability for its proportionate share of the net pension liability in the amount of \$2,033,233. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The Academy's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30, 2017, the Academy's proportion was 0.010940%, which was an increase of 0.010940% from its proportion measured as of June 30, 2016.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

For the year ended June 30, 2018, the Academy recognized pension expense of \$593,667. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 13,992
Differences between expected and actual experience	76,055	7,673
Changes in proportion and differences between Academy contributions and proportionate share of contributions	1,519,859	-
Changes of assumption	44,571	-
Academy contributions subsequent to the measurement date	346,115	-
Total	<u>\$ 1,986,600</u>	<u>\$ 21,665</u>

Academy contributions subsequent to the measurement date of \$346,115 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 357,762
2020	478,222
2021	425,790
2022	318,746
2023	38,300
Total	<u>\$ 1,618,820</u>

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Actuarial Assumptions. The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25-9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Postretirement benefit increases	1.50% semi-annually

Postretirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and state of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 benefit payments to determine the total pension liability.

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate. The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Library's proportionate share of the net pension liability	\$ 3,336,773	\$ 2,033,233	\$ 959,408

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at www.trsga.com/publications.

REQUIRED SUPPLEMENTARY INFORMATION

BROOKHAVEN INNOVATION ACADEMY

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (GAAP BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
State funds	\$ 3,777,746	\$ 3,889,041	\$ 3,945,950	\$ 56,909
Local funds	167,500	605,105	719,173	114,068
Federal funds	90,525	187,204	129,965	(57,239)
Total revenues	<u>4,035,771</u>	<u>4,681,350</u>	<u>4,795,088</u>	<u>113,738</u>
EXPENDITURES				
Current				
Instruction	2,612,285	2,456,681	2,418,022	38,659
Support services:				
Pupil services	-	69,002	64,558	4,444
Improvement of instructional services	28,775	63,494	40,673	22,821
Educational Media Services	4,500	-	-	-
General administration	-	-	118	(118)
School administration	853,594	708,190	701,747	6,443
Maintenance and operation of plant	209,570	578,396	577,098	1,298
Student transportation	-	-	6,650	(6,650)
Other support services	-	-	30,499	(30,499)
School nutrition services	53,280	36,699	36,699	-
Capital outlays	-	443,545	544,619	(101,074)
Debt service:				
Principal	-	112,890	138,522	(25,632)
Interest	182,544	86,322	65,012	21,310
Total expenditures	<u>3,944,548</u>	<u>4,555,219</u>	<u>4,624,217</u>	<u>(68,998)</u>
Excess of revenues over expenditures	91,223	126,131	170,871	44,740
OTHER FINANCING SOURCES				
Capital lease	-	-	96,329	96,329
Total other financing sources	-	-	96,329	96,329
Net change in fund balances	91,223	126,131	267,200	141,069
Fund balances (deficit) - beginning	(82,516)	(82,516)	(82,516)	-
Fund balance - ending	<u>\$ 8,707</u>	<u>\$ 43,615</u>	<u>\$ 184,684</u>	<u>\$ 141,069</u>

**BROOKHAVEN INNOVATION ACADEMY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	2018
Academy's proportion of the net pension liability	0.010940%
Academy's proportionate share of the net pension liability	\$ 2,033,233
Academy's covered-employee payroll	\$ 1,366,517
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	148.79%
Plan fiduciary net position as a percentage of the total pension liability	79.33%

Note: The Academy did not have covered employees prior to July 1, 2016. Therefore, the fiscal year ended June 30, 2018 is the first year the Academy reports a proportionate share of the net pension liability.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BROOKHAVEN INNOVATION ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 330,367	\$ 195,002
Contributions in relation to the contractually required contributions	<u>330,367</u>	<u>195,002</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 1,965,300	\$ 1,366,517
Contributions as a percentage of covered-employee payroll	16.81%	14.27%

Note: The Academy's first year of operations was the fiscal year ended June 30, 2017.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BROOKHAVEN INNOVATION ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables from the 1994 Group Annuity Mortality Table. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions used by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2018 reported in that schedule:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28.4 years
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	3.25 – 9.00%, including inflation
Post-Retirement Benefit Increases	1.5% semi-annually
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

COMPLIANCE SECTION



**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***

**To the Members of the Board
of Brookhaven Innovation Academy
Norcross, Georgia**

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 governmental activities and the major fund of the Brookhaven Innovation Academy (the "Academy") as of and for the fiscal 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 October 8, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion of the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 8, 2018

BROOKHAVEN INNOVATION ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

___ yes X no

Significant deficiencies identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2018 due to the total amount of federal awards expended being less than \$750,000.