



**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Richland School of Academic Arts
Richland County
1456 Park Avenue West
Mansfield, Ohio 44906

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Richland School of Academic Arts, Richland County, Ohio, (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2020

Richland School of Academic Arts
Management's Discussion and Analysis
For the Year Ended June 30, 2019
(Unaudited)

As management of the Richland School of Academic Arts (the School), formerly Richland Academy School of Excellence, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Total net position of the School increased \$229,584 in fiscal year 2019. Ending net position of the School was \$1.9 million, compared to \$1.7 million at June 30, 2018.
- Total assets increased \$102,028 from the prior year and total liabilities decreased by \$478,872 from the prior year.
- The School's operating loss for fiscal year 2019 was \$384,609.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and change in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity.

Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position

The statement of net position and the statement of revenues, expenses and change in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and change in net position reports the change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Richland School of Academic Arts
Management's Discussion and Analysis
For the Year Ended June 30, 2019
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position at June 30, 2019 compared to the prior fiscal year.

Table 1
Net Position at Year End

	2019	2018
Assets:		
Current and Other Assets	\$ 475,589	\$ 373,159
Net OPEB Asset	126,464	-
Capital Assets, Net	3,262,785	3,389,651
Total Assets	<u>3,864,838</u>	<u>3,762,810</u>
Deferred Outflows of Resources	<u>1,091,509</u>	<u>1,228,274</u>
Liabilities:		
Current Liabilities	429,429	529,314
Non-Current Liabilities		
Other Non-Current Liabilities	6,500	199,700
Net Pension Liability	2,082,505	2,030,930
Net OPEB Liability	170,570	407,932
Total Liabilities	<u>2,689,004</u>	<u>3,167,876</u>
Deferred Inflows of Resources	<u>335,700</u>	<u>121,149</u>
Net Position:		
Net Investment in Capital Assets	3,063,085	2,863,551
Restricted	9,180	7,665
Unrestricted	(1,140,622)	(1,169,157)
Total Net Position	<u>\$ 1,931,643</u>	<u>\$ 1,702,059</u>

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources related to pensions/OPEB all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments

Richland School of Academic Arts
Management's Discussion and Analysis
For the Year Ended June 30, 2019
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2019 compared to the prior fiscal year.

Table 2
Changes in Net Position

	2019	2018
Operating Revenues:		
Foundation Payments	\$ 2,131,539	\$ 1,999,334
Other Unrestricted Grants-In-Aid	77,099	71,907
Charges for Services	6,816	11,377
Total Operating Revenues	2,215,454	2,082,618
Operating Expenses:		
Salaries and Wages	1,325,194	1,097,295
Fringe Benefits	377,428	(352,534)
Purchased Services	563,526	454,068
Materials and Supplies	142,097	179,474
Depreciation	172,039	170,791
Other	19,779	107,856
Total Operating Expenses	2,600,063	1,656,950
Operating Income (Loss)	(384,609)	425,668
Nonoperating Revenues and Expenses:		
Federal Grant Revenue	379,979	286,534
State Grant Revenue	159,992	176,387
Interest on Investments	6	45
Other Revenue	88,707	53,593
Interest and Fiscal Charges	(14,491)	(22,767)
Total Nonoperating Revenues and Expenses	614,193	493,792
Change in Net Position	229,584	919,460
Net Position, Beginning of Year	1,702,059	782,599
Net Position, End of the Year	\$ 1,931,643	\$ 1,702,059

Operating Revenues increased in fiscal year 2019 compared with the prior fiscal year primarily due to a increase in enrollment from 295 students in fiscal year 2018 to 313 students in fiscal year 2019.

Richland School of Academic Arts
Management's Discussion and Analysis
For the Year Ended June 30, 2019
(Unaudited)

Total Expenses increased in comparison with the prior fiscal year. This increase is primarily the result of a increase in pension/OPEB expense from negative \$525,623 in fiscal year 2018 to \$225,033 in fiscal year 2019. This increase is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments, while still greater than expected.

Capital Assets

At the end of fiscal year 2019, the School had \$3.3 million in net capital assets, a decrease of \$126,866 in comparison with the prior fiscal year. This decrease represents the amount by which current year depreciation, totaling \$172,039, exceeded current year acquisitions, totaling \$45,173. See Note 5 of the basic financial statements for additional details.

Debt

At fiscal year-end, the School had outstanding debt totaling \$177,600, compared with \$488,400 reported one year ago. This decrease represents the amount of current year principal payments, totaling \$310,800. See Note 6 of the basic financial statements for additional details.

Current Financial Issues

The future financial stability of the School is not without challenges. There will continue to be other challenges outside of the School's control (i.e. – the economy, the state budget). Since the primary source of funding is the state foundation program, an economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Richland School of Academic Arts and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Richland School of Academic Arts, 1456 Park Avenue, Mansfield, Ohio 44906.

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Assets:	
Current Assets	
Cash and Cash Equivalents	\$ 421,745
Intergovernmental Receivables	35,579
Accounts Receivable	2,108
Prepaid Items	16,157
Total Current Assets	475,589
Noncurrent Assets	
Net OPEB Asset	126,464
Capital Assets, Net of Accumulated Depreciation	3,262,785
Total Noncurrent Assets	3,389,249
Total Assets	3,864,838
Deferred Outflows of Resources:	
Pension	965,733
OPEB	125,776
Total Deferred Outflows of Resources	1,091,509
Liabilities:	
Current Liabilities	
Accounts Payable	34,254
Accrued Wages and Benefits Payable	162,571
Intergovernmental Payable	39,404
Capital Leases Payable	15,600
Loans Payable	177,600
Total Current Liabilities	429,429
Long-Term Liabilities:	
Capital Leases Payable	6,500
Net Pension Liability	2,082,505
Net OPEB Liability	170,570
Total Long-Term Liabilities	2,259,575
Total Liabilities	2,689,004
Deferred Inflows of Resources:	
Pension	125,988
OPEB	209,712
Total Deferred Inflows of Resources	335,700
Net Position:	
Net Investment in Capital Assets	3,063,085
Restricted	9,180
Unrestricted	(1,140,622)
Total Net Position	\$ 1,931,643

See accompanying notes to the basic financial statements.

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating Revenues:	
Foundation Payments	\$ 2,131,539
Other Unrestricted Grants-In-Aid	77,099
Charges for Services	6,816
Total Operating Revenues	<u>2,215,454</u>
Operating Expenses:	
Salaries and Wages	1,325,194
Fringe Benefits	377,428
Purchased Services	563,526
Materials and Supplies	142,097
Depreciation	172,039
Other	19,779
Total Operating Expenses	<u>2,600,063</u>
Operating Loss	<u>(384,609)</u>
Non-Operating Revenues (Expenses):	
State Grant Revenue	159,992
Federal Grant Revenue	379,979
Interest on Investments	6
Other Revenue	88,707
Interest and Fiscal Charges	(14,491)
Total Non-Operating Revenues (Expenses)	<u>614,193</u>
Change in Net Position	229,584
Net Position, Beginning of Year	<u>1,702,059</u>
Net Position, End of Year	<u>\$ 1,931,643</u>

See accompanying notes to the basic financial statements.

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Cash Flows from Operating Activities:	
Received from State of Ohio	\$ 2,223,434
Received for Other Operating Activities	6,761
Payments to Employees for Services and Benefits	(1,617,811)
Payments to Suppliers for Goods and Services	(714,535)
Payments to Other	(19,874)
Net Cash Used for Operating Activities	<u>(122,025)</u>
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants	542,344
Other Non-operating Revenue	86,654
Net Cash Provided by Noncapital Financing Activities	<u>628,998</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(45,173)
State Grants	2,500
Payments for Mortgage Principal	(326,400)
Payments for Mortgage Interest	(14,491)
Net Cash Used for Capital and Related Financing Activities	<u>(383,564)</u>
Cash Flows from Investing Activities:	
Interest on Cash and Cash Equivalents	<u>6</u>
Net Cash Provided by Investing Activities	<u>6</u>
Net Increase in Cash and Cash Equivalents	123,415
Cash and Cash Equivalents at Beginning of Year	<u>298,330</u>
Cash and Cash Equivalents at End of Year	<u>\$ 421,745</u>

See accompanying notes to the basic financial statements.

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (384,609)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	172,039
Changes in Assets and Liabilities:	
Intergovernmental Receivable	18,142
Accounts Receivable	238
Prepaid Items	(215)
Accounts Payable	(15,135)
Accrued Wages	29,453
Intergovernmental Payable	18,997
Net Pension Liability	283,264
Net OPEB Asset/Liability	(244,199)
Net Cash Used for Operating Activities	<u>\$ (122,025)</u>

See accompanying notes to the basic financial statements.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

1. Description of the School and Reporting Entity:

Richland School of Academic Arts (the School), formerly Richland School of Excellence, is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade. The School initiation date was June 29, 2010. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2019 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2019 fiscal period. The North Central Ohio Educational Service Center (NCOESC) was the School's sponsor in fiscal year 2019. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. During fiscal year 2019, the School paid NCOESC \$63,582 in sponsor fees.

The School operates under the direction of the Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 9 non-certified and 29 certificated full time teaching personnel who provide services to 313 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 13.

2. Summary of Significant Accounting Policies:

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is defined as net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. 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.

D. Cash and Cash Equivalents

All monies received by the School are maintained in demand deposit accounts and savings accounts. For internal accounting purposes, the School segregates its cash into separate funds. All highly liquid investments, with purchased maturities of three months or less are considered to be cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. Improvements are capitalized. The cost 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.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued):

All reported capital assets, except for construction in progress, are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Building and Improvements	25 years
Furniture, Fixtures, and Equipment	5 years

F. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. The State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. The proceeds received from the State's tax on casino revenue are recognized as operating revenues in the accounting period in which they are earned. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, comprise the non-operating revenues and expenses of the School.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

RICHLAND SCHOOL OF ACADEMIC ARTS

RICHLAND COUNTY

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

(Continued)

2. Summary of Significant Accounting Policies (Continued):

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions and OPEB are explained in Note 9 and Note 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension and OPEB are explained in Note 9 and Note 10.

K. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages and benefits payable - salary and related payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2019 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2019.

Intergovernmental payable - payments made after year-end for the Schools' share of retirement contributions and Medicare associated with services rendered during the fiscal year.

L. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued):

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets, consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

N. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits:

At June 30, 2019, the carrying amount of the School's deposits was \$421,745 and the bank balance was \$424,026. Of the School's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance was uninsured.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2019 is as follows:

<u>Source</u>	<u>Amount</u>
FTE Adjustment	\$ 163
Retirement System Overpayments	2,315
Federal	33,101
	<u>\$ 35,579</u>

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

5. Capital Assets:

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

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and Building Improvement	\$ 3,539,097	\$ 27,380	\$ -	\$ 3,566,477
Furniture and Equipment	267,207	17,793	-	285,000
Total Depreciable Capital Assets	3,806,304	45,173	-	3,851,477
Less Accumulated Depreciation:				
Buildings and Building Improvement	(232,182)	(142,112)	-	(374,294)
Furniture and Equipment	(184,471)	(29,927)	-	(214,398)
Total Accumulated Depreciation	(416,653)	(172,039)	-	(588,692)
Net Capital Assets	\$ 3,389,651	\$ (126,866)	\$ -	\$ 3,262,785

6. Long-term Obligations:

The changes in the School's long-term obligations during fiscal year 2019 were as follows:

Debt:	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Direct Borrowing Loan Payable	\$ 488,400	\$ -	\$ (310,800)	\$ 177,600	\$ 177,600
Total Direct Borrowings	488,400	-	(310,800)	177,600	177,600
Net Pension Liability:					
Net Pension Liability-SERS	262,000	90,056	-	352,056	-
Net Pension Liability-STRS	1,768,930	-	(38,481)	1,730,449	-
Total Net Pension Liability	2,030,930	90,056	(38,481)	2,082,505	-
Net OPEB Liability:					
Net OPEB Liability-SERS	117,397	53,173	-	170,570	-
Net OPEB Liability-STRS	290,535	-	(290,535)	-	-
Total Net OPEB Liability	407,932	53,173	(290,535)	170,570	-
Total Long-Term Obligations	\$ 2,927,262	\$ 143,229	\$ (639,816)	\$ 2,430,675	\$ 177,600

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

6. Long-term Obligations (Continued):

During fiscal year 2017, the School entered into a loan for \$800,000 with Mechanic Bank to pay off the remainder of the construction loan taken out to finance the building renovations. The loan carries an interest rate of 4 percent and matures on December 5, 2019. As collateral for this loan, a security document was executed evidencing a lien on the property located at 1456 Park Avenue West.

Debt-service-to-maturity requirements to retire the notes are as follows:

	Principal	Interest	Total
Fiscal Year Ending June 30:			
2020	\$177,600	\$2,072	\$179,672
Total	\$177,600	\$2,072	\$179,672

Upon the occurrence of any one of the following events, the lender may declare all indebtedness under this note immediately due and payable: (a) School's failure to make any payment on time or in the amount due; (b) any default by the School under the terms of the note or any other related documents executed in connection with the note; (c) any default of the School under the terms of any related documents in favor of the lender; (d) the death, dissolution, or termination of existence of the School or any guarantor; (e) School is not paying the School's debts as such debts become due; (f) the commencement of any proceeding under bankruptcy or insolvency laws by or against the School or any guarantor or the appointment of a receiver; (g) any default under the terms of any other indebtedness of the School to any other creditor; (h) any writ of attachment, garnishment, execution, tax lien or similar instrument is issued against any collateral securing the loan, if any, or any of the School's property or any judgment is entered against the School or any guarantor; (i) any part of the School's business is sold to or merged with any other business, individual, or entity; (j) any representation or warranty made by the School to the lender in any of the related documents or any financial statement delivered to the lender proves to have been false in any material respect as of the time when made or given; (k) if any guarantor, or any other party to any related documents in favor of the lender entered into or delivered in connection with this note terminates, attempts to terminate or defaults under any such related documents; (l) the lender has deemed itself insecure or there has been a material adverse change of condition of the financial prospects of the School or any collateral securing the obligations owing to the lender by the School.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

7. Capital Lease:

The School entered into a lease agreement with MT Business Technologies for the lease of four copiers. The term of the lease was 48 months and commenced on December 2016, which required payments of \$1,300 per month. Lease payments during the fiscal year totaled \$15,600.

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

Fiscal Year Ending June 30:

2020	\$15,600
2021	<u>6,500</u>
Total	<u><u>\$22,100</u></u>

8. Risk Management:

A. Property and Liability - The School 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. For the year ended June 30, 2019, the School contracted with Markel Insurance Company for its insurance coverage as follows:

Building and Business Personal Property	\$10,197,000
General Liability (aggregate)	\$3,000,000
General Liability (per occurrence)	\$1,000,000
Employers Liability (per occurrence)	\$1,000,000

There was no significant reduction in coverage during the past three years. Settlement amounts did not exceed coverage amounts during the fiscal year.

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

C. Employee insurance Benefits - The School utilizes Anthem Blue Cross/Blue Shield to provide health insurance benefits to School employees.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

Age and service requirements for retirement are as follows:

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

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

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

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA's have been suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.50 percent and .50 percent was allocated to the Health Care Fund.

The School's contractually required pension contribution to SERS was \$35,204 for fiscal year 2019. Of this amount, \$10,189 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

RICHLAND SCHOOL OF ACADEMIC ARTS
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and 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 as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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.

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

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

The School’s contractually required contribution to STRS was \$149,020 for fiscal year 2019. Of this amount, \$26,345 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 352,056	\$ 1,730,449	\$ 2,082,505
Proportion of the Net Pension Liability Current Measurement Date	0.0061471%	0.00787006%	
Proportion of the Net Pension Liability Prior Measurement Date	0.0043851%	0.00744649%	
Change in Proportionate Share	0.0017620%	0.00042357%	
Pension Expense	\$ 110,988	\$ 356,500	\$ 467,488

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 19,308	\$ 39,944	\$ 59,252
Changes of assumptions	7,950	306,668	314,618
Changes in proportion and differences between School contributions and proportionate share of contributions	105,612	302,027	407,639
School contributions subsequent to the measurement date	35,204	149,020	184,224
Total Deferred Outflows of Resources	\$ 168,074	\$ 797,659	\$ 965,733
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 11,301	\$ 11,301
Net difference between projected and actual earnings on pension plan investments	9,754	104,933	114,687
Total Deferred Inflows of Resources	\$ 9,754	\$ 116,234	\$ 125,988

\$184,224 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$92,373	\$327,373	\$419,746
2021	45,287	145,093	190,380
2022	(11,553)	66,617	55,064
2023	(2,991)	(6,678)	(9,669)
Total	\$123,116	\$532,405	\$655,521

RICHLAND SCHOOL OF ACADEMIC ARTS
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable 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 most recent experience study was completed for the five-year period ended June 30, 2015.

**RICHLAND SCHOOL OF ACADEMIC ARTS
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

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

The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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 School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$495,897	\$352,056	\$231,454

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0 percent effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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	1.00	2.25
Total	<u>100.00 %</u>	

*The 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.

**RICHLAND SCHOOL OF ACADEMIC ARTS
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

9. Defined Benefit Pension Plans (Continued):

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 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%)
School's proportionate share of the net pension liability	\$2,527,094	\$1,730,449	\$1,056,198

10. Defined Benefit OPEB Plans:

Net OPEB Asset/Liability

The net OPEB asset/liability reported on the statement of net position represents an asset/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 asset/liability represents the School'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 asset/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.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District 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 asset/liability. Resulting adjustments to the net OPEB asset/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 asset/liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2019, the School's surcharge obligation was \$440. 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 School's contractually required contribution to SERS was \$1,744 for fiscal year 2019. Of this amount, \$595 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Asset/Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/(asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability/(asset) was based on the School'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:

**RICHLAND SCHOOL OF ACADEMIC ARTS
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset Current Measurement Date	0.0061483%	0.00787006%	
Proportion of the Net OPEB Liability/Asset Prior Measurement Date	<u>0.0043744%</u>	<u>0.00744649%</u>	
Change in Proportionate Share	<u>0.0017739%</u>	<u>0.0004236%</u>	
Proportion Share of the Net OPEB Liability/(Asset)	\$170,570	(\$126,464)	\$44,106
OPEB Expense	\$26,154	(\$268,609)	(\$242,455)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 2,784	\$ 14,771	\$ 17,555
Difference between School contributions and proportionate share of contributions	64,930	41,547	106,477
School contributions subsequent to the measurement date	<u>1,744</u>	<u>-</u>	<u>1,744</u>
Total Deferred Outflows of Resources	<u>\$ 69,458</u>	<u>\$ 56,318</u>	<u>\$ 125,776</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 7,368	\$ 7,368
Changes of assumptions	15,324	14,447	29,771
Net difference between projected and actual earnings on OPEB plan investments	<u>256</u>	<u>172,317</u>	<u>172,573</u>
Total Deferred Inflows of Resources	<u>\$ 15,580</u>	<u>\$ 194,132</u>	<u>\$ 209,712</u>

\$1,744 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 13,751	\$ (24,306)	\$ (10,555)
2021	12,270	(24,306)	(12,036)
2022	7,588	(24,307)	(16,719)
2023	7,696	(21,024)	(13,328)
2024	7,679	(19,874)	(12,195)
2025	3,150	(23,997)	(20,847)
Total	\$ 52,134	\$ (137,814)	\$ (85,680)

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, 2018, are presented below:

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

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

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

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

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

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:

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School'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 (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.70%)</u>	<u>Current Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
School's proportionate share of the net OPEB liability	\$206,974	\$170,570	\$141,746

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

	1% Decrease (6.5% decreasing to 4.0 percent)	Current Trend Rate (7.5% decreasing to 5.0 percent)	1% Increase (8.5% decreasing to 6.0 percent)
School's proportionate share of the net OPEB liability	\$137,619	\$170,570	\$214,204

Actuarial Assumptions - STRS

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

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00 percent
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends	
Pre-Medicare	6.00 percent initial, 4.00 percent ultimate
Medicare	5.00 percent initial, 4.00 percent ultimate
Perscription Drug Cost Trends	
Pre-Medicare	8.00 percent initial, 4.00 percent ultimate
Medicare	negative 5.23 percent initial, 4.00 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, 2018, 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:

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

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	<u>100.00 %</u>	

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

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	(\$108,391)	(\$126,464)	(\$141,653)

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

10. Defined Benefit OPEB Plans (Continued):

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	(\$140,795)	(\$126,464)	(\$111,909)

11. Restricted Net Position:

At June 30, 2019, the School reported restricted net position totaling \$9,180. The nature of the net position restriction is as follows:

Local Grants	\$	9,180
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12. Contingencies:

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2019, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. State Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2019 and determined the School was underpaid by \$163. This amount is reported as intergovernmental receivable on the statement of net position.

RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

13. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services
6. Human Resources Services

The total fee paid for these services during fiscal year 2019 was \$172,478.

14. Purchased Services:

During the fiscal year ended June 30, 2019, purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 160,553
Contracted Food Services	107,171
Utilities	92,620
Management	90,475
Repairs and Maintenance	43,520
Health	35,771
Data Processing	13,726
Instructional	6,414
Rentals	6,351
Garbage	2,491
Transportation	1,337
Postage	1,275
Other Purchased Services	1,002
Other Property Services	820
Total	<u>\$ 563,526</u>

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

15. Change in Accounting Principles:

For fiscal year ending June 30, 2019, the School has implemented the following:

GASB Statement No. 83 "Certain Asset Retirement Obligations" will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a significant effect on the financial statements of the School.

16. Subsequent Event:

Effective July 1, 2019, the School changed its sponsor to Buckeye Community Hope Foundation.

REQUIRED SUPPLEMENTARY INFORMATION

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0061471%	0.0043851%	0.002851%	0.000258%	0.000236%	0.000236%
School's Proportionate Share of the Net Pension Liability	\$ 352,056	\$ 262,000	\$ 208,667	\$ 147,080	\$ 119,287	\$ 140,163
School's Covered Payroll	\$ 193,630	\$ 147,373	\$ 93,137	\$ 81,320	\$ 67,926	\$ 32,085
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.82%	177.78%	224.04%	180.87%	175.61%	436.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	62.98%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00787006%	0.00744649%	0.006754%	0.005769%	0.000568%	0.000568%
School's Proportionate Share of the Net Pension Liability	\$ 1,730,449	\$ 1,768,930	\$ 2,260,784	\$ 1,594,364	\$ 1,382,363	\$ 1,646,662
School's Covered Payroll	\$ 903,668	\$ 848,675	\$ 725,235	\$ 609,166	\$ 589,007	\$ 449,262
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.49%	208.43%	311.73%	261.73%	234.69%	366.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	66.80%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the School's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$ 35,204	\$ 26,140	\$ 20,632	\$ 13,039	\$ 10,718	\$ 9,414	\$ 4,440	\$ 2,066	\$ 1,782
Contributions in relation to the contractually required contribution	\$ 35,204	\$ 26,140	\$ 20,632	\$ 13,039	\$ 10,718	\$ 9,414	\$ 4,440	\$ 2,066	\$ 1,782
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 260,768	\$ 193,630	\$ 147,373	\$ 93,137	\$ 81,320	\$ 67,926	\$ 32,085	\$ 15,365	\$ 14,177
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

(1) Fiscal year 2011 was the School's first year of operation.

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 149,020	\$ 126,514	\$ 118,815	\$ 101,533	\$ 85,283	\$ 76,571	\$ 58,404	\$ 25,355	\$ 11,779
Contributions in relation to the contractually required contribution	\$ 149,020	\$ 126,514	\$ 118,815	\$ 101,533	\$ 85,283	\$ 76,571	\$ 58,404	\$ 25,355	\$ 11,779
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,064,428	\$ 903,668	\$ 848,675	\$ 725,235	\$ 609,166	\$ 589,007	\$ 449,262	\$ 195,040	\$ 90,608
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) Fiscal year 2011 was the School's first year of operation.

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST THREE FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's Proportion of the Net OPEB Liability	0.0061483%	0.0043744%	0.0028132%
School's Proportionate Share of the Net OPEB Liability	\$ 170,570	\$ 117,397	\$ 80,185
School's Covered Payroll	\$ 193,630	\$ 147,373	\$ 93,137
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	88.09%	79.66%	86.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's Proportion of the Net OPEB Liability/(Asset)	0.00787006%	0.00744649%	0.00675405%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (126,464)	\$ 290,535	\$ 361,208
School's Covered Payroll	\$ 903,668	\$ 848,675	\$ 725,235
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-13.99%	34.23%	49.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution (2)	\$ 1,744	\$ 3,899	\$ 2,035	\$ 1,097	\$ 1,665	\$ 961	\$ 491	\$ 392	\$ 486
Contributions in Relation to the Contractually Required Contribution	\$ 1,744	\$ 3,899	\$ 2,035	\$ 1,097	\$ 1,665	\$ 961	\$ 491	\$ 392	\$ 486
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 260,768	\$ 193,630	\$ 147,373	\$ 93,137	\$ 81,320	\$ 67,926	\$ 32,085	\$ 15,365	\$ 14,177
OPEB Contributions as a Percentage of Covered Payroll	0.67%	2.01%	1.38%	1.18%	2.05%	1.41%	1.53%	2.55%	3.43%

(1) Fiscal year 2011 was the School's first year of operation.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

**RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY**

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,890	\$ 4,493	\$ 1,950	\$ 906
Contributions in Relation to the Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,890	\$ 4,493	\$ 1,950	\$ 906
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 1,064,428	\$ 903,668	\$ 848,675	\$ 725,235	\$ 609,166	\$ 589,007	\$ 449,262	\$ 195,040	\$ 90,608
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

(1) Fiscal year 2011 was the School's first year of operation.

See accompanying notes to the required supplementary information

RICHLAND SCHOOL OF ACADEMIC ARTS
Notes to Schedules of Required Supplementary Information
For the Year Ended June 30, 2019

NOTE 1 – NET PENSION LIABILITY

School Employees Retirement System

Changes in benefit terms:

- Fiscal year 2019 With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.
- Fiscal year 2018 The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment 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:

- Fiscal year 2017 The SERS Board adopted several assumption changes, including changes to:
- Assumed rate of inflation was reduced from 3.25% to 3.00%
 - Payroll Growth Assumption was reduced from 4.00% to 3.50%
 - Assumed real wage growth was reduced from 0.75% to 0.50
 - Rates of withdrawal, retirement and disability were updated to reflect recent experience.
 - Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
 - 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.
 - Mortality among disable member was updated to the following:
 - 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.

RICHLAND SCHOOL OF ACADEMIC ARTS
Notes to Schedules of Required Supplementary Information
For the Year Ended June 30, 2019

NOTE 1 – NET PENSION LIABILITY – (continued)

State Teachers Retirement System

Changes in benefit terms:

Fiscal year 2018 The cost-of-living adjustment was reduced to zero.

Changes in assumptions:

Fiscal year 2018 The STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

NOTE 2 – NET OPEB LIABILITY

School Employees Retirement System

Changes in benefit terms: There have been no changes to the benefit provisions.

Changes in Assumptions:

Fiscal year 2019 The discount rate used to measure the total OPEB liability was increased from 3.63% to 3.70% and the municipal bond rate was increased from 3.56% to 3.62%.

Fiscal year 2018 The discount rate used to measure the total OPEB liability was increased from 2.98% to 3.63% and the municipal bond rate was increased from 2.92% to 3.56%.

RICHLAND SCHOOL OF ACADEMIC ARTS
Notes to Schedules of Required Supplementary Information
For the Year Ended June 30, 2019

NOTE 2 – NET OPEB LIABILITY– (continued)

State Teachers Retirement System

Changes in benefit terms: There have been no changes to the benefit provisions.

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

Fiscal year 2018 The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% 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..

Changes in Assumptions:

Fiscal year 2019 The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Fiscal year 2018 The discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Richland School of Academic Arts
Richland County
1456 Park Avenue West
Mansfield, Ohio 44906

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Richland School of Academic Arts, Richland County, Ohio, (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 26, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2020

OHIO AUDITOR OF STATE KEITH FABER



THE RICHLAND SCHOOL OF ACADEMIC ARTS
RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2020