

**UTICA SHALE ACADEMY OF OHIO
COLUMBIANA COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2021



OHIO AUDITOR OF STATE
KEITH FABER



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Board Members
Utica Shale Academy of Ohio
70 E. Main Street
Salineville, Ohio 43945

We have reviewed the *Independent Auditor's Report* of the Utica Shale Academy of Ohio, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 22, 2022

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**UTICA SHALE ACADEMY OF OHIO
COLUMBIANA COUNTY
REGULAR AUDIT
For the Year Ended June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Utica Shale Academy of Ohio
Columbiana County
70 East Main Street
Salineville, Ohio 43945

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Utica Shale Academy of Ohio, Columbiana County, Ohio (the Academy), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utica Shale Academy of Ohio, Columbiana County, Ohio as of June 30, 2021 and the changes of 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

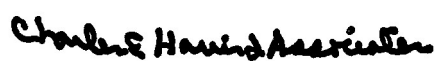
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension liabilities, net postemployment asset, and pension and postemployment contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
March 31, 2022

**Utica Shale Academy of Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)**

The discussion and analysis of the Utica Shale Academy’s (the “Academy”) financial performance provides an overall review of the Academy’s financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Academy’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 Academy’s financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2021 are as follows:

- Total net position increased \$125,633. This is a 173% increase from the prior fiscal year.
- Total revenues increased \$160,676. This is a 22% increase from the prior fiscal year.
- Total expenses increased \$212,959. This is a 39% increase from the prior fiscal year.

Using this Annual Report

This annual report consists of the Management’s Discussion and Analysis, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, “How did we do financially during fiscal year 2021”? The statement of net position includes all assets and deferred outflows, and liabilities and deferred inflows using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

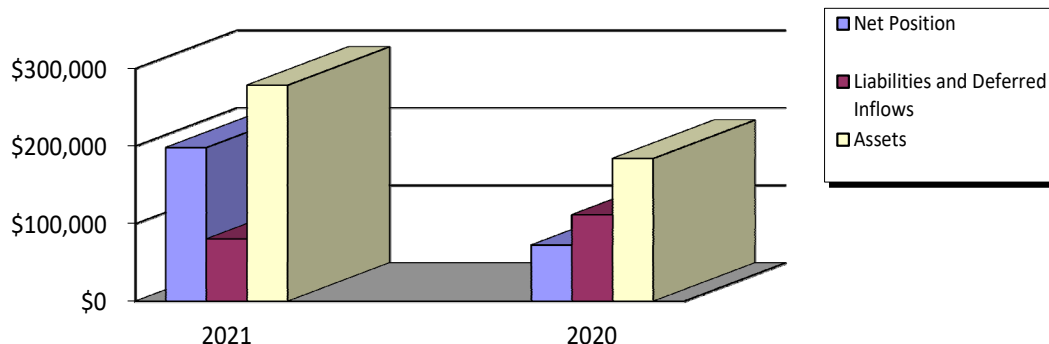
These two statements report the Academy’s net position and change in net position. This change in net position is important because it tells the reader that the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Academy’s facility conditions, required educational programs and other factors.

Utica Shale Academy of Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Table 1 provides a summary of the Academy’s net position for fiscal year 2021 compared to fiscal year 2020 as follows:

Table 1
Net Position

	Governmental Activities	
	2021	2020
Assets:		
Current and Other Assets	\$223,992	\$151,126
Net OPEB Asset	1,992	2,316
Capital Assets	35,844	0
Total Assets	261,828	153,442
Deferred Outflows of Resources:		
OPEB	4,031	5,327
Pension	12,600	25,263
Total Deferred Outflows of Resources	16,631	30,590
Liabilities:		
Other Liabilities	28,994	28,994
Long-Term Liabilities	41,921	74,410
Total Liabilities	70,915	103,404
Deferred Inflows of Resources:		
OPEB	2,914	3,537
Pension	6,520	4,614
Total Deferred Inflows of Resources	9,434	8,151
Net Position:		
Net Investment in Capital Assets	35,844	0
Unrestricted	162,266	72,477
Total Net Position	\$198,110	\$72,477



**Utica Shale Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)**

Net Position of the Academy increased by \$125,633. The increase in total net position from fiscal year 2020 is primarily due to the increase in grant monies and foundation revenues received.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

**Table 2
Changes in Net Position**

	Fiscal Year	
	2021	2020
Operating Revenues:		
Foundation Revenue	\$514,233	\$489,628
Other Revenues	4,655	758
Total Operating Revenues	518,888	490,386
Operating Expenses:		
Salaries	5,750	18,000
Fringe Benefits	19,457	18,545
Purchased Services	678,617	468,993
Materials and Supplies	40,591	22,294
Depreciation	1,236	0
Other Expenses	15,233	20,093
Total Operating Expenses	760,884	547,925
Non-Operating Revenues (Expenses):		
Grants and Subsidies	367,629	235,455
Total Non-Operating Revenues (Expenses)	367,629	235,455
Change in Net Position	125,633	177,916
Net Position - Beginning of Year	72,477	(105,439)
Net Position - End of Year	\$198,110	\$72,477

Total operating revenues increased primarily due to an increase in Foundation revenue. Total operating expenses increased primarily due to an increase in purchased services because of an increase in enrollment.

Capital Assets and Debt

At June 30, 2021, the Academy had \$35,844 in capital assets and \$14,494 in long-term liabilities due to an ODE settlement agreement. The following table shows fiscal year 2021 balances compared to fiscal year 2020 as follows:

**Utica Shale Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)**

	Fiscal Year	
	2021	2020
Net Depreciable Capital Assets	\$35,844	\$0
Intergovernmental Payable	14,494	43,488

For the Future

The Academy will strive to continue its success in future years and will continuously look for ways to enhance the student learning process.

The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the Academy's Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Robert P. Barrett, Treasurer at Utica Shale Academy, 70 E. Main Street, Salineville, Ohio 43945.

Utica Shale Academy of Ohio - Columbiana County, Ohio
Statement of Net Position
June 30, 2021

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents \$211,197

Receivables:

Intergovernmental 12,795

Total Current Assets 223,992

Noncurrent Assets:

Depreciable Capital Assets, Net 35,844

Net OPEB Assets 1,992

Total Noncurrent Assets 37,836

Total Assets 261,828

Deferred Outflows of Resources:

Pension 12,600

OPEB 4,031

Total Deferred Outflows of Resources 16,631

Liabilities:

Current Liabilities:

Intergovernmental payable 28,994

Total Current Liabilities 28,994

Long-Term Liabilities:

Net Pension Liability 27,427

Intergovernmental payable 14,494

Total Liabilities 70,915

Deferred Inflows of Resources:

OPEB 2,914

Pension 6,520

Total Deferred Inflows of Resources 9,434

Net Position:

Investment in Capital Assets 35,844

Unrestricted 162,266

Total Net Position \$198,110

See accompanying notes to the basic financial statements.

Utica Shale Academy of Ohio - Columbiana County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Operating Revenues:	
Foundation Revenue	\$514,233
Other Operating Revenues	4,655
Total Operating Revenues	<u>518,888</u>
Operating Expenses:	
Salaries	5,750
Fringe Benefits	19,457
Purchased Services	678,617
Materials and Supplies	40,591
Depreciation	1,236
Other	15,233
Total Operating Expenses	<u>760,884</u>
Operating Income (Loss)	<u>(241,996)</u>
Non-Operating Revenues (Expenses):	
State and Federal Grants and Subsidies	<u>367,629</u>
Total Non-Operating Revenues (Expenses)	<u>367,629</u>
Change in Net Position	125,633
Net Position - Beginning of Year	<u>72,477</u>
Net Position - End of Year	<u>\$198,110</u>

See accompanying notes to the basic financial statements.

Utica Shale Academy of Ohio - Columbiana County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$554,187
Other Operating Cash Receipts	5,275
Cash Payments to Employees for Salaries and Benefits	(13,137)
Cash Payments for Goods and Services	(719,208)
Cash Payments for Other Expenses	(44,227)
Net Cash Provided (Used) by Operating Activities	<u>(217,110)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	<u>375,962</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>375,962</u>
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	<u>(37,080)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(37,080)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	121,772
Cash and Cash Equivalents - Beginning of Year	<u>89,425</u>
Cash and Cash Equivalents - End of Year	<u><u>\$211,197</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$241,996)
Adjustments:	
Depreciation	1,236
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	40,573
(Increase) Decrease in Deferred Outflows for Pension	12,663
Increase (Decrease) in Accrued Liabilities	(28,993)
(Increase) Decrease in Deferred Outflows for OPEB	1,296
(Increase) Decrease in Net OPEB Asset	324
Increase (Decrease) in Net Pension Liability	(3,496)
Increase (Decrease) in Deferred Inflows for Pension	1,906
Increase (Decrease) in Deferred Inflows for OPEB	(623)
Net Cash Provided (Used) by Operating Activities	<u><u>(\$217,110)</u></u>

See accompanying notes to the basic financial statements.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 – Description of the Academy

The Utica Shale Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status. The Academy specializes in an innovative high school curriculum that will serve as a leading institution for all students who seek to explore, develop and enhance career opportunities as well as further advance their education. The Academy, which is part of the State’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

On December 15, 2019, the Academy, was approved under contract with The Ohio Department of Education (the “Sponsor”) commencing on December 15, 2019 and ending on June 30, 2022. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy has entered into purchased service agreements with Jefferson County Educational Service Center and Southern Local School District to provide various purchased services to the Academy. Terms of the purchased service agreements are further described in Note 6.

The Academy operates under the direction of a self-appointed, five-member Board of Directors. The Board is responsible for carrying out 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.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental non-profit units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy’s significant accounting policies are described below.

Basis of Presentation

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

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

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, and all liabilities and deferred inflows are included on the Statement of Net Position. Operating statements 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources includes pension and other post employment benefits. These amounts have been recorded as deferred inflows on the statement of net position. Deferred inflows related to pension and OPEB plans are reported on the statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11) (d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast, no later than October 31 of each year.

Cash

All monies received by the Academy are deposited into a demand deposit account and is presented on the financial statement as “cash and cash equivalents.”

Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of governments. The Academy applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2021 school year, excluding all other federal and state grants, totaled \$514,233.

Revenues received from the remaining programs are recognized as non-operating revenue in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. State and federal grants revenue for the fiscal year 2021 was \$367,629.

Estimates

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

Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The Academy maintains a capitalization threshold of \$5,000. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The Academy has \$35,844 in capital assets to report at June 30, 2021.

GASB Pronouncements

For fiscal year 2021, the Academy implemented GASB Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities, and GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and GASB Statements No. 61.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Academy.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

Note 3 – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2021, none of the Academy's bank balance of \$218,061 was exposed to custodial credit risk because it

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

was fully FDIC insured.

Note 4 – Operating Lease

The Academy school facilities are located in space leased at Southern Local School District. The lease agreement with Southern Local School District is for the period of February 10, 2014 through July 1, 2019 and renewed on May 13, 2020 through July 1, 2023. The base rental of the leases is \$150 per month. The minimum lease payments for fiscal year 2021 total \$1,350.

Note 5 - Risk Management

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Academy was covered under its own insurance policy for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage. There were no significant reductions in insurance coverage from the prior year and settled claims have not exceeded insurance coverage in each of the past three fiscal years.

Note 6 - Purchased Services

For the fiscal year ended June 30, 2021, purchased service expenses were as follows:

<u>Purchased Services</u>	<u>Amounts</u>
Regular Instruction	\$116,364
Special Instruction	75,018
Vocational Instruction	121,956
Other Instruction	16,230
Instructional Staff	36,568
General Support Services Administration	241,584
Transportation Services	7,836
Fiscal Technology	26,439
General Facilities Operations & Maintenance	25,122
Central Purchases Support	11,500
Total Purchased Services	<u>\$678,617</u>

Note 7 – Sponsor Contract

The Ohio Department of Education’s Office of School Sponsorship assumed the Academy’s school sponsorship December 15, 2019. The sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy’s compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Provide reasonable technical assistance to the Academy in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the Academy);

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant Ohio Revised Code Section 3314.073, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the Academy experiences financial difficulties or losses before the end of the school year;
- Provide in writing the annual assurances for the Academy no later than ten business days prior to the opening of the Academy, as required in Ohio Revised Code Section 3314.19;
- Abiding by the requirements in its contract with the Ohio Department of Education, even should those requirements affect the Academy and/or the Governing Authority; and
- The Sponsor shall not enter into any contracts with current vendors of the Governing Authority without proper notice to the Governing Authority.

For the services listed above, the Academy is required to pay a fee to the Sponsor for the oversight and monitoring of the Academy. The fee is equal to 3% of all funds received from the State. The Academy paid the Sponsor \$21,113 for services during fiscal year 2021.

Note 8 - Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2021.

Litigation

The Academy is involved in no material litigation as either plaintiff or defendant.

State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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. As of the date of this report, additional ODE adjustments for fiscal year 2021 is finalized and not material to these statements.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2016 & 2017. On January 3, 2018, ODE signed off on the 2016 & 2017 FTE Settlement Agreement with the Academy, which detailed the repayment plan. As a result, the Academy is responsible for paying back \$66,980.58 from ODE's FY16 FTE Final Determination with payments made over 54 months starting July 2018. The

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Academy paid \$14,108 back to ODE during fiscal year 2021, which only leaves \$23,103 left to repay. The amount owed back to ODE for the FY16 FTE adjustment is considered a liability for the academy.

The Academy had contracts in fiscal year 2016 directly tied to the academy's FTE, which included the Academy's Fiscal Agent contract, School Sponsor contract, and Management Agreement.

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. The Settlement Agreement between the Academy and, ODE requires the Academy to repay \$116,394.78 from the FY17 FTE Final adjustments over 54 months beginning in July 2018. However, the Academy paid \$52,906.70 back to ODE out of their monthly Community School Foundation payment for the FY17 FTE adjustments during fiscal year 2018 and \$14,885 during fiscal year 2021, which only leaves \$20,385 left to repay. The amount owed back to ODE for the FY17 FTE adjustment is considered a liability for the academy.

The Academy had contracts in fiscal year 2017 directly tied to the academy's FTE, which included the Academy's Fiscal Agent contract, School Sponsor contract, and Management Agreement.

Note 9 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Asset

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 net pension/OPEB asset represent the Academy's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State

Utica Shale Academy of Ohio
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legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB asset. Resulting adjustments to the net pension/OPEB asset would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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.

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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 is deposited into the member's DC account 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
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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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

Net 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>
Proportionate Share of the Net Pension Liability	\$27,427
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00011335%
Prior Measurement Date	<u>0.00013983%</u>
Change in Proportionate Share	-0.00002648%
Pension Expense	\$21,347

At June 30 2021, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>STRS</u>
<u>Deferred Outflows of Resources</u>	
Differences between expected and actual experience	\$62
Changes of assumptions	1,472
Net difference between projected and actual earnings on pension plan investments	1,334
Changes in employer proportionate share of net pension liability	<u>9,732</u>
Total Deferred Outflows of Resources	<u><u>\$12,600</u></u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$175
Changes in employer proportionate share of net pension liability	<u>6,345</u>
Total Deferred Inflows of Resources	<u><u>\$6,520</u></u>

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

Fiscal Year Ending June 30:	<u>STRS</u>
2022	\$8,577
2023	(1,625)
2024	(392)
2025	<u>(481)</u>
Total	<u><u>\$6,079</u></u>

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

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

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

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For the Fiscal Year Ended June 30, 2021

Actuarial assumptions used in the July 1 2020, 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:

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

*10 Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but 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 actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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, 2020. 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, 2020.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the County'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 District'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%
Proportionate share of the net pension liability	\$39,051	\$27,427	\$17,576

Changes in Actuarial Assumptions between Measurement Date and the Fiscal Year End

The STRS Board approved a change in the discount rate from 7.45 percent to 7.00 percent for the June 30, 2021 valuation. The effect on the net pension liability is unknown.

Utica Shale Academy of Ohio
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Note 10 - Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB asset.

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. 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. All benefit recipients 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, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Assets, OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB asset was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>
Proportionate Share of the Net OPEB (Asset)	(\$1,992)
Proportion of the Net OPEB Asset:	
Current Measurement Date	0.00011335%
Prior Measurement Date	<u>0.00013983%</u>
Change in Proportionate Share	-0.00002648%
OPEB Expense	(\$3,109)

At June 30 2021, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>STRS</u>
<u>Deferred Outflows of Resources</u>	
Differences between expected and actual experience	\$128
Changes of assumptions	32
Net difference between projected and actual earnings on OPEB plan investments	70
Changes in employer proportionate share of net OPEB asset	<u>3,801</u>
Total Deferred Outflows of Resources	<u><u>\$4,031</u></u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$397
Changes of assumptions	1,892
Changes in employer proportionate share of net OPEB asset	<u>625</u>
Total Deferred Inflows of Resources	<u><u>\$2,914</u></u>

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

Fiscal Year	
Ending June 30:	<u>STRS</u>
2022	\$600
2023	647
2024	664
2025	(593)
2026	(99)
Thereafter	<u>(102)</u>
Total	<u><u>\$1,117</u></u>

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.00% initial, 4% ultimate
Medicare	-6.69% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	6.50% initial, 4% ultimate
Medicare	11.87% initial, 4% ultimate

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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, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

*10 Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but 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 actuarial 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, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2020.

Utica Shale Academy of Ohio
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Sensitivity of the 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, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$1,733)	(\$1,992)	(\$2,212)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$2,198)	(\$1,992)	(\$1,741)

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, being depreciated:				
Equipment	\$0	\$37,080	\$0	\$37,080
Totals at Historical Cost	<u>0</u>	<u>37,080</u>	<u>0</u>	<u>37,080</u>
Less Accumulated Depreciation:				
Equipment	0	1,236	0	1,236
Total Accumulated Depreciation	<u>0</u>	<u>1,236</u>	<u>0</u>	<u>1,236</u>
Total Capital Assets, Net	<u>\$0</u>	<u>\$35,844</u>	<u>\$0</u>	<u>\$35,844</u>

Note 12 - Long-Term Obligations

During the fiscal year 2021, the following changes occurred in long-term obligations.

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Net Pension Liability	\$30,923	\$0	(\$3,496)	\$27,427	\$0
Intergovernmental Payable	72,481	0	(28,993)	43,488	28,994
Total Long-Term Obligations	<u>\$103,404</u>	<u>\$0</u>	<u>(\$32,489)</u>	<u>\$70,915</u>	<u>\$28,994</u>

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Academy received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 14 – Subsequent Event

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school.

REQUIRED SUPPLEMENTARY INFORMATION

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2021	0.00011335%	\$27,427	\$13,679	200.50%	75.48%
2020	0.00013983%	30,923	32,829	94.19%	77.40%
2019	0.00014139%	31,088	32,150	96.70%	77.30%
2018	0.00016584%	39,396	0	0.00%	75.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of Academy's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2021	\$0	\$0	\$0	\$0	14.00%
2020	1,915	(1,915)	0	13,679	14.00%
2019	4,596	(4,596)	0	32,829	14.00%
2018	4,501	(4,501)	0	32,150	14.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	Academy's Proportion of the Net OPEB (Asset)/Liability	Academy's Proportionate Share of the Net OPEB (Asset)/Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2021	0.00011335%	(\$1,992)	\$13,679	(14.56%)	182.13%
2020	0.00013983%	(2,316)	32,829	(7.05%)	174.74%
2019	0.00014139%	(2,272)	32,150	(7.07%)	176.00%
2018	0.00016584%	6,470	0	0.00%	47.10%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of Academy's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2021	\$0	\$0	\$0	\$0	0.00%
2020	0	0	0	13,679	0.00%
2019	0	0	0	32,829	0.00%
2018	0	0	0	32,150	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2021

Note 1 - Net Pension Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 2 - Net OPEB (Asset)/Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Utica Shale Academy of Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2021

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

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.

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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

Utica Shale Academy of Ohio
Columbiana County
70 East Main Street
Salineville, Ohio 43945

To the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Utica Shale Academy of Ohio, Columbiana County, Ohio (the Academy), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated March 31, 2022. We noted the financial impact of COVID-19 and how the ensuing emergency measures will impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings as 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

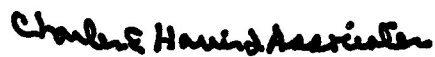
As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Entity's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Academy's response and accordingly, we express no opinion on it.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
March 31, 2022

**UTICA SHALE ACADEMY OF OHIO
COLUMBIANA COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number 2021-001 – Material Weakness

Accurate Posting of Transactions

The Academy maintains its records on the cash basis throughout the year and contracts with an outside consultant to convert its year end statements to conform to Generally Accepted Accounting Principles.

An effective system of internal control provides for the prevention or detection and timely correction of material misstatements of the financial statements. While management may obtain outside consultants to assist in the preparation of financial statements, management is responsible for reviewing and approving the work of those consultants and retains responsibility for the accuracy of those financial statements.

The Academy did not have an adequate process to detect financial statement errors in a timely manner and, accordingly, the 2021 financial statements included an overstatement of State and Federal Grants and Subsidies Revenue and Accounts Receivables by \$28,279. These adjustments were posted to the audited financial statements and Academy records.

We recommend that management review the financial statements prepared by the consultant in detail to identify any potential material misstatements.

Management Response:

See the Corrective Action Plan on page 35.

UTICA SHALE ACADEMY of OHIO
COLUMBIANA COUNTY
For the Year Ended June 30, 2021

CORRECTIVE ACTION PLAN-PREPARED BY MANAGEMENT

FINDING NUMBER	FINDING SUMMARY	CORRECTIVE ACTION
2021-001	Material Weakness– Accurate Posting of Transactions	The Academy will thoroughly review its system of internal controls. The Academy will review the financial statements from the GAAP conversion to identify any potential material errors.

**UTICA SHALE ACADEMY OF OHIO
COLUMBIANA COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2020



**UTICA SHALE ACADEMY of OHIO
COLUMBIANA COUNTY
REGULAR AUDIT
For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Utica Shale Academy of Ohio
Columbiana County
70 East Main Street
Salineville, Ohio 43945

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Utica Shale Academy of Ohio, Columbiana County, Ohio (the Academy), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utica Shale Academy of Ohio, Columbiana County, Ohio as of June 30, 2020 and the changes of 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension liabilities, net postemployment asset, and pension and postemployment contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
March 31, 2022

**Utica Shale Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

The discussion and analysis of the Utica Shale Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2020 are as follows:

- Total net position increased \$177,916. This is a 245% increase from the prior fiscal year.
- Total revenues increased \$255,636. This is a 54% increase from the prior fiscal year.
- Total expenses increased \$106,203. This is a 24% increase from the prior fiscal year.

Using this Annual Report

This annual report consists of the Management's Discussion and Analysis, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during fiscal year 2020"? The statement of net position includes all assets and deferred outflows, and liabilities and deferred inflows using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

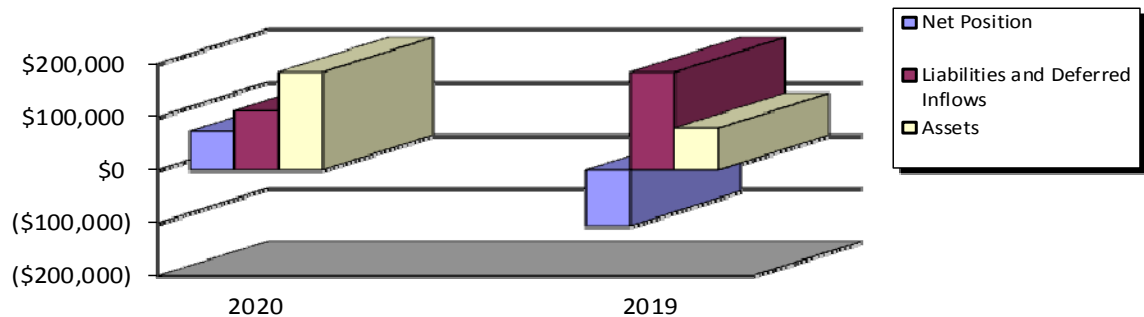
These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader that the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Academy's facility conditions, required educational programs and other factors.

**Utica Shale Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

Table 1 provides a summary of the Academy's net position for fiscal year 2020 compared to fiscal year 2019 as follows:

**Table 1
Net Position**

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$151,126	\$29,723
Net OPEB Asset	2,316	2,272
Total Assets	153,442	31,995
Deferred Outflows of Resources:		
OPEB	5,327	6,600
Pension	25,263	40,019
Total Deferred Outflows of Resources	30,590	46,619
Liabilities:		
Other Liabilities	28,994	70,395
Long-Term Liabilities	74,410	103,569
Total Liabilities	103,404	173,964
Deferred Inflows of Resources:		
OPEB	3,537	4,359
Pension	4,614	5,730
Total Deferred Inflows of Resources	8,151	10,089
Net Position:		
Unrestricted	72,477	(105,439)
Total Net Position	\$72,477	(\$105,439)



Utica Shale Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Net Position of the Academy increased by \$177,916. The increase in total net position from fiscal year 2019 is primarily due to the increase in grant monies and foundation revenues received.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2020 and 2019.

Table 2
Changes in Net Position

	Fiscal Year	
	2020	2019
Operating Revenues:		
Foundation Revenue	\$489,628	\$374,404
Other Revenues	758	4,754
Total Operating Revenues	<u>490,386</u>	<u>379,158</u>
Operating Expenses:		
Salaries	18,000	20,400
Fringe Benefits	18,545	10,947
Purchased Services	468,993	393,232
Materials and Supplies	22,294	7,154
Other Expenses	20,093	9,989
Total Operating Expenses	<u>547,925</u>	<u>441,722</u>
Non-Operating Revenues (Expenses):		
Grants and Subsidies	<u>235,455</u>	<u>91,047</u>
Total Non-Operating Revenues (Expenses)	<u>235,455</u>	<u>91,047</u>
Change in Net Position	177,916	28,483
Net Position - Beginning of Year	<u>(105,439)</u>	<u>(133,922)</u>
Net Position - End of Year	<u><u>\$72,477</u></u>	<u><u>(\$105,439)</u></u>

Total operating revenues increased primarily due to an increase in Foundation revenue. Total operating expenses increased primarily due to an increase in purchased services because of an increase in enrollment.

Capital Assets and Debt

At June 30, 2020, the Academy had no capital assets and \$43,487 in long-term liabilities due to an ODE settlement agreement. The following table shows fiscal year 2020 balances compared to fiscal year 2019 as follows:

**Utica Shale Academy of Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

	Fiscal Year	
	2020	2019
Intergovernmental Payable	\$43,487	\$72,481

For the Future

The Academy will strive to continue its success in future years and will continuously look for ways to enhance the student learning process.

The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the Academy's Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Robert P. Barrett, Treasurer at Utica Shale Academy, 70 E. Main Street, Salineville, Ohio 43945.

Utica Shale Academy of Ohio - Columbiana County, Ohio
Statement of Net Position
June 30, 2020

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$89,425
Receivables:	
Accounts	620
Intergovernmental	<u>61,081</u>
Total Current Assets	151,126
Noncurrent Assets:	
Net OPEB Assets	<u>2,316</u>
Total Noncurrent Assets	<u>2,316</u>
Total Assets	153,442
Deferred Outflows of Resources:	
Pension	25,263
OPEB	<u>5,327</u>
Total Deferred Outflows of Resources	30,590
Liabilities:	
Current Liabilities:	
Intergovernmental payable	<u>28,994</u>
Total Current Liabilities	28,994
Long-Term Liabilities:	
Net Pension Liability	30,923
Intergovernmental payable	<u>43,487</u>
Total Liabilities	103,404
Deferred Inflows of Resources:	
OPEB	3,537
Pension	<u>4,614</u>
Total Deferred Inflows of Resources	8,151
Net Position:	
Unrestricted	<u>72,477</u>
Total Net Position	<u><u>\$72,477</u></u>

See accompanying notes to the basic financial statements.

Utica Shale Academy of Ohio - Columbiana County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating Revenues:	
Foundation Revenue	\$489,628
Other Operating Revenues	<u>758</u>
Total Operating Revenues	<u>490,386</u>
Operating Expenses:	
Salaries	18,000
Fringe Benefits	18,545
Purchased Services	468,993
Materials and Supplies	22,294
Other	<u>20,093</u>
Total Operating Expenses	<u>547,925</u>
Operating Income (Loss)	<u>(57,539)</u>
Non-Operating Revenues (Expenses):	
State and Federal Grants and Subsidies	<u>235,455</u>
Total Non-Operating Revenues (Expenses)	<u>235,455</u>
Change in Net Position	177,916
Net Position - Beginning of Year	<u>(105,439)</u>
Net Position - End of Year	<u><u>\$72,477</u></u>

See accompanying notes to the basic financial statements.

Utica Shale Academy of Ohio - Columbiana County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$462,487
Other Operating Cash Receipts	263
Cash Payments to Employees for Salaries and Benefits	(22,598)
Cash Payments for Goods and Services	(503,035)
Cash Payments for Other Expenses	(78,746)
Net Cash Provided (Used) by Operating Activities	<u>(141,629)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	<u>227,805</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>227,805</u>
Net Increase (Decrease) in Cash and Cash Equivalents	86,176
Cash and Cash Equivalents - Beginning of Year	<u>3,249</u>
Cash and Cash Equivalents - End of Year	<u><u>\$89,425</u></u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$57,539)
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(27,642)
(Increase) Decrease in Deferred Outflows for Pension	14,756
(Increase) Decrease in Prepayments	65
Increase (Decrease) in Accrued Liabilities	(58,647)
(Increase) Decrease in Deferred Outflows for OPEB	1,273
(Increase) Decrease in Net OPEB Asset	(44)
Increase (Decrease) in Payables	(11,748)
Increase (Decrease) in Net Pension Liability	(165)
Increase (Decrease) in Deferred Inflows for Pension	(1,116)
Increase (Decrease) in Deferred Inflows for OPEB	<u>(822)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$141,629)</u></u>

See accompanying notes to the basic financial statements.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 – Description of the Academy

The Utica Shale Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status. The Academy specializes in an innovative high school curriculum that will serve as a leading institution for all students who seek to explore, develop and enhance career opportunities as well as further advance their education. The Academy, which is part of the State’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

On March 4, 2014, the Academy, was approved under contract with Jefferson County Educational Service Center (the “Sponsor”) commencing on July 1, 2014 and ending on June 30, 2020. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy has entered into purchased service agreements with Jefferson County Educational Service Center, Columbiana Exempted Village School District, and Southern Local School District to provide various purchased services to the Academy. Terms of the purchased service agreements are further described in Note 6.

The Academy operates under the direction of a self-appointed, five-member Board of Directors. The Board is responsible for carrying out 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.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

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

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows, and all liabilities and deferred inflows are included on the Statement of Net Position. Operating statements 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources includes pension and other post employment benefits. These amounts have been recorded as deferred inflows on the statement of net position. Deferred inflows related to pension and OPEB plans are reported on the statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11) (d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast, no later than October 31 of each year.

Cash

All monies received by the Academy are deposited into a demand deposit account and is presented on the financial statement as “cash and cash equivalents.”

Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of governments. The Academy applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2020 school year, excluding all other federal and state grants, totaled \$489,628.

Revenues received from the remaining programs are recognized as non-operating revenue in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. State and federal grants revenue for the fiscal year 2020 was \$235,455.

Estimates

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

Note 3 – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, none of the Academy's bank balance of \$90,343 was exposed to custodial credit risk because it was fully FDIC insured.

Note 4 – Operating Lease

The Academy school facilities are located in space leased at Southern Local School District and also at Columbiana Exempted Village Schools. The lease agreement with Southern Local School District is for the period of February 10, 2014 through July 1, 2019 and renewed on May 13, 2020 through July 1, 2023. The lease agreement with Columbiana Exempted Village Schools is for the period June 30, 2015 through July 1, 2020. The contract was terminated on July 1, 2020. The base rental of the leases is \$100 per month. The minimum lease payments for fiscal year 2020 total \$2,400.

Note 5 - Risk Management

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the Academy was covered under its own insurance policy for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage. There were no significant reductions in insurance coverage from the prior year and settled claims have not exceeded insurance coverage in each of the past three fiscal years.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Purchased Services

For the fiscal year ended June 30, 2020, purchased service expenses were as follows:

<u>Purchased Services</u>	<u>Amounts</u>
Regular Instruction	\$220,182
Special Instruction	59,453
Service Pupils	22,857
General Support Services Administration	83,872
Instructional Staff	12,108
Fiscal Technology	26,250
General Facilities Operations & Maintenance	19,771
Central Purchases Support	24,500
Total Purchased Services	<u>\$468,993</u>

Note 7 – Sponsor Contract

The Ohio Department of Education’s Office of School Sponsorship assumed the Academy’s school sponsorship December 15, 2019. The sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy’s compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Provide reasonable technical assistance to the Academy in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the Academy);
- Take steps to intervene in the Academy’s operation to correct problems in the Academy’s overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant Ohio Revised Code Section 3314.073, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the Academy experiences financial difficulties or losses before the end of the school year;
- Provide in writing the annual assurances for the Academy no later than ten business days prior to the opening of the Academy, as required in Ohio Revised Code Section 3314.19;
- Abiding by the requirements in its contract with the Ohio Department of Education, even should those requirements affect the Academy and/or the Governing Authority; and
- The Sponsor shall not enter into any contracts with current vendors of the Governing Authority without proper notice to the Governing Authority.

Utica Shale Academy of Ohio
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For the services listed above, the Academy is required to pay a fee to the Sponsor for the oversight and monitoring of the Academy. The fee is equal to 3% of all funds received from the State. The Academy paid the Sponsor \$16,270 for services during fiscal year 2020.

Note 8 - Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2020.

Litigation

The Academy is involved in no material litigation as either plaintiff or defendant.

State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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. As of the date of this report, additional ODE adjustments for fiscal year 2020 are finalized and not material to these statements.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2016 & 2017. On January 3, 2018, ODE signed off on the 2016 & 2017 FTE Settlement Agreement with the Academy, which detailed the repayment plan. As a result, the Academy is responsible for paying back \$66,980.58 from ODE's FY16 FTE Final Determination with payments made over 54 months starting July 2018. The Academy paid \$14,885.00 back to ODE during fiscal year 2020, which only leaves \$37,211.46 left to repay. The amount owed back to ODE for the FY16 FTE adjustment is considered a liability for the academy.

The Academy had contracts in fiscal year 2016 directly tied to the academy's FTE, which included the Academy's Fiscal Agent contract, School Sponsor contract, and Management Agreement.

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. The Settlement Agreement between the Academy and, ODE requires the Academy to repay \$116,394.78 from the FY17 FTE Final adjustments over 54 months beginning in July 2018. However, the Academy paid \$52,906.70 back to ODE out of their monthly Community School Foundation payment for the FY17 FTE adjustments during fiscal year 2018 and \$14,109.00 during fiscal year 2020, which only leaves \$35,271.04 left to repay. The amount owed back to ODE for the FY17 FTE adjustment is considered a liability for the academy.

Utica Shale Academy of Ohio
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For the Fiscal Year Ended June 30, 2020

The Academy had contracts in fiscal year 2017 directly tied to the academy's FTE, which included the Academy's Fiscal Agent contract, School Sponsor contract, and Management Agreement.

The Academy also had an agreement with ODE for the FY18 FTE settlement repayment. The Settlement Agreement between the Academy and ODE requires the Academy to repay \$54,363.51 from the FY18 FTE Final adjustments over 22 months beginning in September 2018. The Academy paid \$29,652.51 back to ODE during fiscal year 2020, which paid off the repayment settlement.

The Academy had contracts in fiscal year 2020 directly tied to the academy's FTE, which included the Academy's Fiscal Agent contract, School Sponsor contract, and Management Agreement.

Note 9 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Asset

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/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 net pension/OPEB asset represent the employer's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB asset. Resulting adjustments to the net pension/OPEB asset would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

Licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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.

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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 is deposited into the member's DC account 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

Utica Shale Academy of Ohio
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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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$1,915 for fiscal year 2020. Of this amount \$0 is reported as accrued wages and benefits.

Net 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>
Proportionate Share of the Net Pension Liability	\$30,923
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00013983%
Prior Measurement Date	<u>0.00014139%</u>
Change in Proportionate Share	-0.00000156%
Pension Expense	\$12,189

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>STRS</u>
<u>Deferred Outflows of Resources</u>	
Differences between expected and actual experience	\$252
Changes of assumptions	3,632
Changes in employer proportionate share of net pension liability	19,464
Contributions subsequent to the measurement date	<u>1,915</u>
Total Deferred Outflows of Resources	<u><u>\$25,263</u></u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$134
Net difference between projected and actual earnings on pension plan investments	1,511
Changes in employer proportionate share of net pension liability	<u>2,969</u>
Total Deferred Inflows of Resources	<u><u>\$4,614</u></u>

\$1,915 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>STRS</u>
2021	\$10,668
2022	9,127
2023	(1,185)
2024	<u>124</u>
Total	<u><u>\$18,734</u></u>

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

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

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. Pre-retirement mortality rates are based on RP-2014

Utica Shale Academy of Ohio
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Employee Mortality Table, 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.

Actuarial assumptions used in the July 1, 2019, 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:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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, 2019. 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, 2019.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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:

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	1% Decrease <u>6.45%</u>	Current Discount Rate <u>7.45%</u>	1% Increase <u>8.45%</u>
Proportionate share of the net pension liability	\$45,190	\$30,923	\$18,845

Note 10 - Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB asset.

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, 2021. 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. All benefit recipients 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 fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Assets, OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB asset was based on the employer'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:

	<u>STRS</u>
Proportionate Share of the Net OPEB (Asset)	(\$2,316)
Proportion of the Net OPEB Asset:	
Current Measurement Date	0.00013983%
Prior Measurement Date	<u>0.00014139%</u>
Change in Proportionate Share	-0.00000156%
OPEB Expense	(\$4,105)

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>STRS</u>
<u>Deferred Outflows of Resources</u>	
Differences between expected and actual experience	\$210
Changes of assumptions	49
Changes in employer proportionate share of net OPEB asset	<u>5,068</u>
Total Deferred Outflows of Resources	<u><u>\$5,327</u></u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$118
Changes of assumptions	2,539
Net difference between projected and actual earnings on OPEB plan investments	145
Changes in employer proportionate share of net OPEB asset	<u>735</u>
Total Deferred Inflows of Resources	<u><u>\$3,537</u></u>

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

Fiscal Year	
Ending June 30:	<u>STRS</u>
2021	\$565
2022	565
2023	623
2024	643
2025	(611)
Thereafter	<u>5</u>
Total	<u><u>\$1,790</u></u>

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% 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, 2019, 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:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
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Discount Rate

The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. 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, 2019 and June 30, 2018.

Sensitivity of the 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, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$1,976)	(\$2,316)	(\$2,602)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$2,626)	(\$2,316)	(\$1,936)

Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

There were changes in assumptions, which increased the total OPEB asset by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

Utica Shale Academy of Ohio
Notes to the Basic Financial Statements
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Note 11 - Long-Term Obligations

During the fiscal year 2020, the following changes occurred in long-term obligations.

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Net Pension Liability	\$31,088	\$0	(\$165)	\$30,923	\$0
Intergovernmental Payable	131,128	0	(58,647)	72,481	28,994
Total Long-Term Obligations	<u>\$162,216</u>	<u>\$0</u>	<u>(\$58,812)</u>	<u>\$103,404</u>	<u>\$28,994</u>

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Academy received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION



Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.00013983%	\$30,923	\$32,829	94.19%	77.40%
2019	0.00014139%	\$31,088	\$32,150	96.70%	77.30%
2018	0.00016584%	39,396	0	0.00%	75.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of Academy's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2020	\$1,915	(\$1,915)	\$0	\$13,679	14.00%
2019	4,596	(4,596)	0	32,829	14.00%
2018	4,501	(4,501)	0	32,150	14.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	Academy's Proportion of the Net OPEB (Asset)/Liability	Academy's Proportionate Share of the Net OPEB (Asset)/Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2020	0.00013983%	(\$2,316)	\$32,829	(7.05%)	174.74%
2019	0.00014139%	(\$2,272)	\$32,150	(7.07%)	176.00%
2018	0.00016584%	6,470	0	0.00%	47.10%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
 Required Supplementary Information
 Schedule of Academy's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$13,679	0.00%
2019	0	0	0	32,829	0.00%
2018	0	0	0	32,150	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2018 is not available.

See accompanying notes to the required supplementary information.

Utica Shale Academy of Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

Note 1 - Net Pension Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 2 - Net OPEB (Asset)/Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

Utica Shale Academy of Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

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.

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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

Utica Shale Academy of Ohio
Columbiana County
70 East Main Street
Salineville, Ohio 43945

To the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Utica Shale Academy of Ohio, Columbiana County, Ohio (the Academy), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated March 31, 2022. We noted the financial impact of COVID-19 and how the ensuing emergency measures will impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We also noted a matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 31, 2022.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
March 31, 2022

UTICA SHALE ACADEMY of OHIO
COLUMBIANA COUNTY
For the Year Ended June 30, 2020

SCHEDULE OF PRIOR AUDIT FINDINGS-PREPARED BY MANAGEMENT

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2019-001	Noncompliance and Material Weakness– Educational Hours	Partially corrected.	
2019-002	Material Weakness – Accurate Posting of Transactions	Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



UTICA SHALE ACADEMY OF OHIO

COLUMBIANA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/5/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov