

ALTERNATIVE EDUCATION  
ACADEMY  
SUMMIT COUNTY, OHIO

*SINGLE AUDIT*

FOR THE YEAR ENDED JUNE 30, 2022



Rea & associates

[www.reacpa.com](http://www.reacpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Directors  
Alternative Education Academy  
4 Summit Park Drive  
Suite 350  
Independence, Ohio 44131

We have reviewed the *Independent Auditor's Report* of the Alternative Education Academy, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. 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 Alternative Education Academy 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

**March 28, 2023**

**This page intentionally left blank.**

**ALTERNATIVE EDUCATION ACADEMY  
SUMMIT COUNTY**

**Table of Contents**

<b>Title</b>	<b>Page</b>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	10
Notes to the Basic Financial Statements	13
Required Supplementary Information:	
Schedule of the School's Proportionate Share of the Net Pension Liability	36
Schedule of the School's Contributions - Pension	38
Schedule of the School's Proportionate Share of the Net OPEB Liability/ (Asset)	41
Schedule of the School's Contributions - OPEB	42
Notes to the Required Supplementary Information	44
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 <i>Government Auditing Standards</i>	47
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	49
Schedule of Expenditures of Federal Awards	52
Notes to the Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54
Corrective Action Plan	57

**This page intentionally left blank.**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Alternative Education Academy  
Summit County, Ohio  
4 Summit Park Dr., Suite 350  
Independence, Ohio 44131

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Alternative Education Academy (the “School”), Summit County, Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Alternative Education Academy, Summit County, Ohio, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Expenditures of Federal Awards (Schedule) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
February 22, 2023

*This page intentionally left blank.*

**Alternative Education Academy**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

---

The discussion and analysis of the Alternative Education Academy's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 ***Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*** issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- In total, net position increased \$891,206 from 2021.
- Total assets increased \$943,404 during 2022.
- Liabilities decreased \$1,657,676 during 2022.

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2022, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

**Alternative Education Academy**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

---

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

The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan’s fiduciary net OPEB position was sufficient to cover the plan’s total OPEB liability resulting in a net OPEB asset that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School’s statements include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows of resources.

### **Using this Financial Report**

This report consists of the basic financial statements, notes to those statements, required supplementary information and notes to the required supplementary information. 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.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during fiscal year June 30, 2022. This statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, both financial and capital, and current and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or expended.

Table 1 provides a summary of the School's net position for fiscal years 2022 and 2021.

**(Table 1)**  
**Statement of Net Position**

	2022	2021	Change
<b>Assets</b>			
Current Assets	\$ 2,109,892	\$ 1,818,562	\$ 291,330
Net OPEB Asset	1,392,209	740,135	652,074
<i>Total Assets</i>	<u>3,502,101</u>	<u>2,558,697</u>	<u>943,404</u>
<b>Deferred Outflows of Resources</b>	<u>12,363,946</u>	<u>5,707,903</u>	<u>6,656,043</u>
<b>Liabilities</b>			
Current Liabilities	602,353	823,603	(221,250)
Net Pension/OPEB Liabilities	10,712,516	12,148,942	(1,436,426)
<i>Total Liabilities</i>	<u>11,314,869</u>	<u>12,972,545</u>	<u>(1,657,676)</u>
<b>Deferred Inflows of Resources</b>	<u>10,264,376</u>	<u>1,898,459</u>	<u>8,365,917</u>
<b>Net Position</b>			
Unrestricted	(5,713,198)	(6,604,404)	891,206
<i>Total Net Position</i>	<u>\$ (5,713,198)</u>	<u>\$ (6,604,404)</u>	<u>\$ 891,206</u>

The increase in current assets is primarily caused by an increase in cash from operations. The decrease in current liabilities is primarily due to a decrease in accounts payable related to the timing of paying invoices.

There was a significant change in net pension/OPEB liability/asset for the School. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

**Statement of Revenues, Expenses, and Changes in Net Position**

Table 2 shows the change in net position for fiscal years 2022 and 2021.

**(Table 2)**  
**Change in Net Position**

	2022	2021	Change
Operating Revenue	\$ 38,654,464	\$ 32,778,291	\$ 5,876,173
Non-Operating Revenue	10,407,837	3,917,525	6,490,312
Total Revenue	49,062,301	36,695,816	12,366,485
Operating Expenses	48,171,095	37,209,307	10,961,788
Change in Net Position	\$ 891,206	\$ (513,491)	\$ 1,404,697

The increase in overall revenues was due to an increase in the School's State aid due to an increase in full-time equivalency (FTE) enrollment and due to a significant increase in federal grant revenue awarded to the school. The School's most significant expense, "Purchased Services: Management Fees" increased in relation to the increase in State aid and grant awards because of the management agreement in place between the School and ACCEL. The agreement provides that specific percentages of the revenues received by the School will be paid to ACCEL to fund operations (See Note 7).

The increase in operating expenses is also impacted by the changes in Pension and OPEB Expense, which are primarily associated to changes in the School's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

**Capital Assets**

For the year ended June 30, 2022, all assets had been fully depreciated in a prior fiscal year. See Note 5 for further information.

**Current Financial Issues**

Alternative Education Academy received revenue for 5,676 students in 2022 and 4,704 students in 2021. Alternative Education Academy is different from many other schools as it provides education in a distance-learning environment to students in nearly every county in the State of Ohio. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries.

The School receives its support almost entirely from state aid. The School receives additional revenue from grant subsidies.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*(Unaudited)*

---

Although there is a possibility that State aid will be cut in future years due to the economic climate, the School feels that the relationship with the management company will insulate them from any significant change. The relationship brings stability to the School since specific percentages of revenues are payable to the management company (See Note 7).

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School.

**Contacting the School's Financial Management**

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Fiscal Officer at 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Statement of Net Position*  
*June 30, 2022*

**ASSETS**

**Current Assets**

Cash & Cash Equivalents	\$	1,501,245
Grant Funding Receivable		600,515
Bank Fee Receivable		818
Prepaid Insurance		7,314
<i>Total Current Assets</i>		2,109,892

**Noncurrent Assets**

Net OPEB Asset		1,392,209
<i>Total Noncurrent Assets</i>		1,392,209

<b>Total Assets</b>		3,502,101
---------------------	--	-----------

**DEFERRED OUTFLOWS OF RESOURCES**

Pension		11,513,681
OPEB		850,265
<b>Total Deferred Outflows of Resources</b>		12,363,946

**LIABILITIES**

**Current Liabilities**

Accounts Payable		1,838
Grant Funding Payable		600,515
<i>Total Current Liabilities</i>		602,353

**Long Term Liabilities**

Net Pension Liability		9,983,433
Net OPEB Liability		729,083
<i>Total Long Term Liabilities</i>		10,712,516

<b>Total Liabilities</b>		11,314,869
--------------------------	--	------------

**DEFERRED INFLOWS OF RESOURCES**

Pension		8,162,396
OPEB		2,101,980
<b>Total Deferred Inflows of Resources</b>		10,264,376

**NET POSITION**

Unrestricted		(5,713,198)
<b>Total Net Position</b>	<b>\$</b>	(5,713,198)



**Alternative Education Academy**  
**Summit County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2022*

**OPERATING REVENUES**

State Aid	\$	38,172,183
Facilities Aid		141,541
Casino Revenue		340,740
		38,654,464
<b>Total Operating Revenues</b>		<b>38,654,464</b>

**OPERATING EXPENSES**

Purchased Services: Management Fees		38,941,142
Purchased Services: Grant Programs		8,574,425
Pension and OPEB		(378,626)
Sponsorship Fees		919,249
Other Expenses		114,905
		48,171,095
<b>Total Operating Expenses</b>		<b>48,171,095</b>
<b>Operating Income (Loss)</b>		<b>(9,516,631)</b>

**NON-OPERATING REVENUES**

Federal and State Grants		10,383,174
Miscellaneous Revenue		22,732
Interest		1,931
		10,407,837
<b>Total Non-Operating Revenues</b>		<b>10,407,837</b>
<b>Change in Net Position</b>		<b>891,206</b>
<b>Net Position Beginning of Year</b>		<b>(6,604,404)</b>
<b>Net Position End of Year</b>	<b>\$</b>	<b>(5,713,198)</b>

**Alternative Education Academy**  
**Summit County, Ohio**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2022*

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From State Aid	\$ 38,654,464
Cash Payments To Management Company	(47,736,817)
Cash Payments To Sponsor	(919,249)
Other Cash Payments	(116,629)
	(10,118,231)
Net Cash Used for Operating Activities	(10,118,231)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received From Grant Programs	10,471,873
Cash Received From Miscellaneous Revenue	22,732
	10,494,605
Net Cash Received From Noncapital Financing Activities	10,494,605

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received From Interest	1,931
	1,931
Net Increase in Cash and Cash Equivalents	378,305
Cash and Cash Equivalents at Beginning of Year	1,122,940
	1,122,940
Cash and Cash Equivalents at End of Year	\$ 1,501,245

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (9,516,631)
-------------------------	----------------

**ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES**

Changes in Assets, Liabilities, and Deferred Outflows/Inflows:	
Prepays	(1,724)
Deferred Outflows of Resources	(6,656,043)
Deferred Inflows of Resources	8,365,917
Net OPEB Asset	(652,074)
Net Pension/OPEB Liability	(1,436,426)
Accounts Payable	(132,551)
Grant Funding Payable	(88,699)
	(601,600)
Total Adjustments	(601,600)
Net Cash Used for Operating Activities	\$ (10,118,231)

See accompanying notes to the basic financial statements

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Alternative Education Academy (the School) operating under the trade name as Ohio Distance and Electronic Learning Academy (“OHDELA”) is a federal 501(c) (3) tax-exempt, state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State’s education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with ACCEL Online Ohio, LLC (ACCEL) for most of its functions. (See Note 7)

The School is sponsored and approved for operation under contract with the Ohio Council for Community Schools (OCCS) (Sponsor) for a period commencing on July 1, 2006, and extending through June 30, 2012. The contract was renewed for a period commencing on July 1, 2012 through June 30, 2022 and renewed commencing July 1, 2022 through June 30, 2025. The School actually began operations on February 14, 2002. The School operates under a self-appointing Board of Directors (the Board). The School’s Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one support facility, which is leased by ACCEL. The School is staffed by teaching personnel employed by ACCEL.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Basis of Presentation***

The School’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflow of resources as well as all liabilities and deferred inflows of resources are included on the Statement of Net Position.

Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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.

***Budgetary Process***

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

***Cash and Cash Equivalents***

All cash received by the School is maintained in a demand deposit account and STAR Ohio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During the year 2022, the School invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

***Intergovernmental Revenues***

The School currently participates in the State Foundation Program, facilities aid, and casino tax distributions, which are reflected under "Operating Revenues" on the Statement of Revenues, Expenses, and Changes in Net Position. Revenues received from these programs are recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return,

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

***Capital Assets and Depreciation***

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000. Depreciation is computed by the straight-line method over three years for computer and software.

The School has no other capital assets as the School operates under a management agreement with ACCEL (See Note 7).

***Use of Estimates***

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Net Position***

Net position represents the difference between assets and deferred outflow of resources as well as deferred inflow of resources and liabilities. Net position consists entirely of unrestricted balances. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily state aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

***Pensions and Other Postemployment Benefits (OPEB)***

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

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

with the benefit terms. The pension/OPEB plans report investments at fair value.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then.

For the School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

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

***Implementation of New Accounting Principles***

For the fiscal year ended June 30, 2022, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, certain provisions in GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the School.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the School.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and b) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School.

GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and will improve consistency of authoritative literature. The implementation of certain provisions of GASB Statement No. 99 did not have an effect on the financial statements of the School.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

**NOTE 3 - DEPOSITS AND INVESTMENTS**

***Deposits***

At year-end, \$986,806 of the School’s bank balance of \$1,486,806 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the School’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School to a successful claim by the FDIC.

***Investments***

As of June 30, 2022, the School had the following investment:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturity 3 Months or Less</u>	<u>Percentage of Total</u>
STAR Ohio	\$ 33,134	\$ 33,134	100%

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2022, is 35 days and carries a rating of AAAM by S&P Global Ratings.

*Concentration of Credit Risk:* The School places no limit on the amount that may be invested in any one issuer.

**NOTE 4 - GRANTS FUNDING RECEIVABLE/PAYABLE**

The School has recorded “Grant Funding Receivable” in the amount of \$600,515 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2022.

Under the terms of the management agreement (see Note 7), the School has recorded a liability to ACCEL in the amount of \$600,515 for 100 percent of any State and Federal monies uncollected or unpaid to ACCEL as of June 30, 2022.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

For the fiscal year ended June 30, 2022, the School had \$266,883 in fully depreciated computers and software.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

**NOTE 6 - RISK MANAGEMENT**

***Property and Liability***

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with ACCEL, ACCEL has contracted with an insurance company for property and general liability insurance pursuant to the management agreement (See Note 7). There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

***Director and Officer***

Coverage has been purchased by the School with a \$5,000,000 aggregate limit and a \$10,000 deductible.

**NOTE 7 - AGREEMENT WITH ACCEL**

Effective July 1, 2018, the School entered into a management agreement (Agreement) with an initial term through June 30, 2023. The Agreement includes continuing fees owed from the School to ACCEL. ACCEL is an educational consulting and management company.

Substantially all functions of the School have been contracted to ACCEL. ACCEL is responsible and accountable to the School's Board of Directors for the administration and operation of the school. The School is required to pay ACCEL a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues," defined in the Agreement as revenues generated on a per student basis received by the School from the State of Ohio Department of Education pursuant to Title 33 of the Ohio Revised Code and any other statute applicable to community schools as defined in the Code. Qualified gross revenues do not include casino revenue unless said casino revenue is included in the general state aid, student fees, charitable contributions, PTA/PTO income, Federal Title Programs and such other federal, state and local government funding designated to compensate the School for the education of its students and other miscellaneous revenue received.

ACCEL shall receive 100 percent of any and all grants or funding of any kind generated by ACCEL and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any. The continuing fee is paid to ACCEL based on the current month's qualified gross revenues.

The School had purchased service expenses for the fiscal year ended June 30, 2022 of \$47,515,567 of which \$600,515 was payable to ACCEL at June 30, 2022. ACCEL will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

**NOTE 8 - SPONSORSHIP FEES**

Under Paragraph D(4) of the sponsor contract with the OCCS, it states that the School "...shall pay to the Sponsor the amount of 2.8 percent of the total state funds received for the first 2,500 students received each year, 2.6 percent of the total state funds for the next 2,500-3,500 students received, and 2.4 percent of the total



**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

state funds after 3,500 students received each year, in consideration for the time, organization, oversight, fees, and costs of the Sponsor pursuant to this Contract.” Such fees are paid to the OCCS monthly.

**NOTE 9 - MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2022, ACCEL incurred the following expenses on behalf of the School.

Alternative Education Academy	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<b>Direct Expenses:</b>					
Salaries & Wages (100 Object Codes)	\$ 9,413,677	\$ 2,292,511	\$ 3,670,548	\$ -	\$ 15,376,736
Employees' Benefits (200 Object Codes)	2,665,358	707,640	1,262,824	-	4,635,822
Professional & Technical Services (410 Object Codes)	240,896	1,281,139	1,876,881	-	3,398,916
Property Services (420 Object Codes)	-	-	168,594	-	168,594
Utilities (450 Object Codes)	-	-	11,559	-	11,559
Contracted Craft or Trade Services (460 Object Codes)	-	-	-	-	-
Transportation (480 Object Codes)	-	-	-	-	-
Supplies (500 Object Codes)	11,919,282	-	4,221,238	-	16,140,520
Other Direct Costs (All Other Object Codes)	-	-	4,401,096	-	4,401,096
<b>Indirect Expenses:</b>					
Overhead	-	-	4,313,036	-	4,313,036
<b>Total Expenses</b>	<b>\$ 24,239,213</b>	<b>\$ 4,281,290</b>	<b>\$ 19,925,776</b>	<b>\$ -</b>	<b>\$ 48,446,279</b>

Overhead charges are assigned to the School based on a percentage of FTE headcount. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, marketing and communications.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability (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 liability (asset) represents the School’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position.

The net pension/OPEB liability (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 this estimate annually.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

Ohio Revised Code limits the School’s obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School 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 all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (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 proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accounts payable*.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

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

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

The School's contractually required contribution to SERS was \$330,032 for fiscal year 2022.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – 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 August 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 continue to 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 actuarially reduced benefits will be phased in until August 1, 2026, 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.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly 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 50 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 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 to 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 statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2022 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$1,724,376 for fiscal year 2022.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04175720%	0.06603144%	
Prior Measurement Date	<u>0.02269860%</u>	<u>0.04211337%</u>	
Change in Proportionate Share	<u>0.01905860%</u>	<u>0.02391807%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 1,540,720	\$ 8,442,713	\$ 9,983,433
Pension Expense	\$ 462,624	\$ 1,283,522	\$ 1,746,146

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 149	\$ 260,838	\$ 260,987
Changes of Assumptions	32,443	2,342,160	2,374,603
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	749,488	6,074,195	6,823,683
School Contributions Subsequent to the Measurement Date	<u>330,032</u>	<u>1,724,376</u>	<u>2,054,408</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 1,112,112</u>	<u>\$ 10,401,569</u>	<u>\$ 11,513,681</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 39,957	\$ 52,918	\$ 92,875
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>793,517</u>	<u>7,276,004</u>	<u>8,069,521</u>
<b>Total Deferred Inflows of Resources</b>	<u>\$ 833,474</u>	<u>\$ 7,328,922</u>	<u>\$ 8,162,396</u>

\$2,054,408 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	\$ 285,829	\$ 695,992	\$ 981,821
2024	95,009	675,070	770,079
2025	(188,670)	377,709	189,039
2026	<u>(243,562)</u>	<u>(400,500)</u>	<u>(644,062)</u>
Total	<u>\$ (51,394)</u>	<u>\$ 1,348,271</u>	<u>\$ 1,296,877</u>

***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18 percent.

***Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School's net pension liability would be if it were calculated

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 2,563,379	\$ 1,540,720	\$ 678,266

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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 Tables, 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.

The actuarial assumptions used in the June 30, 2021 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016. An actuarial experience study is done on a quinquennial basis.

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 %	



**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. 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, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School's proportionate share of the net pension liability measured as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 15,810,042	\$ 8,442,713	\$ 2,217,336

**Assumption and Benefit Changes since the Prior Measurement Date** The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

See Note 10 for a description of the net OPEB liability (asset).

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

**Health Care Plan Description** - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan.

SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School's surcharge obligation was \$7,665.

***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 partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability (asset) was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.03852300%	0.06603100%	
Prior Measurement Date	<u>0.02105900%</u>	<u>0.04211300%</u>	
Change in Proportionate Share	<u>0.01746400%</u>	<u>0.02391800%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 729,083	\$ (1,392,209)	
OPEB Expense	\$ 62,729	\$ (125,428)	\$ (62,699)

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 7,770	\$ 49,571	\$ 57,341
Changes of Assumptions	114,376	88,929	203,305
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	451,388	130,566	581,954
School Contributions Subsequent to the			
Measurement Date	<u>7,665</u>	<u>-</u>	<u>7,665</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 581,199</u>	<u>\$ 269,066</u>	<u>\$ 850,265</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 363,115	\$ 255,081	\$ 618,196
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	15,839	385,898	401,737
Changes of Assumptions	99,841	830,556	930,397
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	<u>17,835</u>	<u>133,815</u>	<u>151,650</u>
<b>Total Deferred Inflows of Resources</b>	<u>\$ 496,630</u>	<u>\$ 1,605,350</u>	<u>\$ 2,101,980</u>

\$7,665 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	\$ (4,199)	\$ (408,457)	\$ (412,656)
2024	(4,308)	(398,808)	(403,116)
2025	(2,459)	(325,929)	(328,388)
2026	13,139	(155,978)	(142,839)
2027	44,572	(50,386)	(5,814)
Thereafter	30,159	3,274	33,433
Total	<u>\$ 76,904</u>	<u>\$ (1,336,284)</u>	<u>\$ (1,259,380)</u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	6.750 percent - 4.40 percent
Medicare	5.125 percent - 4.40 percent

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

***Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 903,418	\$ 729,083	\$ 589,806

  

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 561,331	\$ 729,083	\$ 953,139

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

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

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

---

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.

The actuarial assumptions used in the June 30, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. 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 those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

**Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset measured as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2021, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,174,810)	\$ (1,392,209)	\$ (1,573,815)

  

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,566,456)	\$ (1,392,209)	\$ (1,176,738)

**Assumption Changes Since the Prior Measurement Date** The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

**Benefit Term Changes Since the Prior Measurement Date** The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.100 percent. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in current year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**NOTE 12 - CONTINGENCIES**

**Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

**Litigation**

The School is not party to legal proceedings that, in the opinion of management, would have a materially adverse effect on the financial statements.

**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 2021 while the national state of emergency continues. During fiscal year 2022, the School received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School. The impact on the School's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.



***Required Supplementary Information***

**Alternative Education Academy**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Proportionate Share of the Net Pension Liability*  
*Last Nine Fiscal Years (1)*

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b><i>School Employees Retirement System (SERS)</i></b>				
School's Proportion of the Net Pension Liability	0.04175720%	0.00226986%	0.02065260%	0.02068220%
School's Proportionate Share of the Net Pension Liability	\$ 1,540,720	\$ 1,501,333	\$ 1,235,681	\$ 1,184,508
School's Covered Payroll	\$ 1,441,350	\$ 764,900	\$ 739,370	\$ 753,859
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.89%	196.28%	167.13%	157.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%
<b><i>State Teachers Retirement System (STRS)</i></b>				
School's Proportion of the Net Pension Liability	0.06603144%	0.04211337%	0.03170938%	0.02615863%
School's Proportionate Share of the Net Pension Liability	\$ 8,442,713	\$ 10,189,937	\$ 7,012,339	\$ 5,751,695
School's Covered Payroll	\$ 8,147,850	\$ 5,082,429	\$ 3,722,807	\$ 2,973,793
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.62%	200.49%	188.36%	193.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.31%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.02075730%	0.01877190%	0.01899960%	0.01667300%	0.01667300%
\$ 1,240,203	\$ 1,373,930	\$ 1,084,136	\$ 843,811	\$ 991,490
\$ 695,936	\$ 590,886	\$ 567,033	\$ 234,394	\$ 358,938
178.21%	232.52%	191.19%	360.00%	276.23%
69.50%	62.98%	69.16%	71.70%	65.52%
0.02051969%	0.02927703%	0.02436663%	0.02311692%	0.02311692%
\$ 4,874,496	\$ 9,799,904	\$ 6,734,224	\$ 5,622,835	\$ 6,697,884
\$ 2,255,886	\$ 2,805,643	\$ 1,928,471	\$ 1,371,985	\$ 3,061,385
216.08%	349.29%	349.20%	409.83%	218.79%
75.30%	66.80%	72.10%	74.70%	69.30%

See accompanying notes to the required supplementary information

**Alternative Education Academy**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Contributions - Pension*  
*Last Ten Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 330,032	\$ 201,789	\$ 107,086	\$ 99,815
Contributions in Relation to the Contractually Required Contribution	<u>(330,032)</u>	<u>(201,789)</u>	<u>(107,086)</u>	<u>(99,815)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,357,371	\$ 1,441,350	\$ 764,900	\$ 739,370
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 1,724,376	\$ 1,140,699	\$ 711,540	\$ 521,193
Contributions in Relation to the Contractually Required Contribution	<u>(1,724,376)</u>	<u>(1,140,699)</u>	<u>(711,540)</u>	<u>(521,193)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 12,316,971	\$ 8,147,850	\$ 5,082,429	\$ 3,722,807
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 101,771	\$ 97,431	\$ 82,724	\$ 74,735	\$ 32,487	\$ 49,677
<u>(101,771)</u>	<u>(97,431)</u>	<u>(82,724)</u>	<u>(74,735)</u>	<u>(32,487)</u>	<u>(49,677)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 753,859	\$ 695,936	\$ 590,886	\$ 567,033	\$ 234,394	\$ 358,938
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
\$ 416,331	\$ 315,824	\$ 392,790	\$ 269,986	\$ 178,358	\$ 397,980
<u>(416,331)</u>	<u>(315,824)</u>	<u>(392,790)</u>	<u>(269,986)</u>	<u>(178,358)</u>	<u>(397,980)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,973,793	\$ 2,255,886	\$ 2,805,643	\$ 1,928,471	\$ 1,371,985	\$ 3,061,385
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

*This page intentionally left blank.*

**Alternative Education Academy**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset)*  
*Last Six Fiscal Years (1)*

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b><i>School Employees Retirement System (SERS)</i></b>						
School's Proportion of the Net OPEB Liability	0.038523%	0.021059%	0.018845%	0.01934500%	0.01951170%	0.01714399%
School's Proportionate Share of the Net OPEB Liability	\$ 729,083	\$ 457,672	\$ 473,915	\$ 536,671	\$ 523,643	\$ 488,667
School's Covered Payroll	\$ 1,441,350	\$ 764,900	\$ 739,370	\$ 753,859	\$ 695,936	\$ 590,886
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	50.58%	59.83%	64.10%	71.19%	75.24%	82.70%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>						
School's Proportion of the Net OPEB Liability/(Asset)	0.066031%	0.042113%	0.031709%	0.02615900%	0.02051969%	0.02927703%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,392,209)	\$ (740,135)	\$ (525,177)	\$ (420,343)	\$ 800,603	\$ 1,565,743
School's Covered Payroll	\$ 8,147,850	\$ 5,082,429	\$ 3,722,807	\$ 2,973,793	\$ 2,255,886	\$ 2,805,643
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-17.09%	-14.56%	-14.11%	-14.13%	35.49%	55.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.73%	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School's Contributions - OPEB*  
*Last Ten Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution (1)	\$ 7,665	\$ 3,814	\$ 1,724	\$ 4,328
Contributions in Relation to the Contractually Required Contribution	<u>(7,665)</u>	<u>(3,814)</u>	<u>(1,724)</u>	<u>(4,328)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,357,371	\$ 1,441,350	\$ 764,900	\$ 739,370
OPEB Contributions as a Percentage of Covered Payroll (1)	0.33%	0.26%	0.23%	0.59%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 12,316,971	\$ 8,147,850	\$ 5,082,429	\$ 3,722,807
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge



<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 6,947	\$ 1,933	\$ 612	\$ 3,973	\$ 3,836	\$ 1,952
<u>(6,947)</u>	<u>(1,933)</u>	<u>(612)</u>	<u>(3,973)</u>	<u>(3,836)</u>	<u>(1,952)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 753,859	\$ 695,936	\$ 590,886	\$ 567,033	\$ 234,394	\$ 358,938
0.92%	0.28%	0.10%	0.70%	1.64%	0.54%
\$ -	\$ -	\$ -	\$ -	\$ 13,720	\$ 30,614
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,720)</u>	<u>(30,614)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,973,793	\$ 2,255,886	\$ 2,805,643	\$ 1,928,471	\$ 1,371,985	\$ 3,061,385
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

---

**NOTE 1 - NET PENSION LIABILITY**

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

***Changes in Assumptions - SERS***

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

***Changes in Benefit Terms - SERS***

For fiscal year 2021, cost-of-living adjustments was reduced from 2.50 percent to 2.00 percent.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Changes in Assumptions – STRS***

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation.

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

---

The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Changes in Benefit Terms - STRS***

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

**NOTE 2 - NET OPEB LIABILITY (ASSET)**

***Changes in Assumptions – SERS***

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

**Municipal Bond Index Rate:**

Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Pre-Medicare Trend Assumption**

Fiscal year 2022	6.75 percent initially, decreasing to 4.40 percent
Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

**Medicare Trend Assumption**

Fiscal year 2022	5.125 percent initially, decreasing to 4.40 percent
Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

**Alternative Education Academy**  
**Summit County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

---

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

***Changes in Assumptions – STRS***

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

***Changes in Benefit Terms – STRS***

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 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 .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 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 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

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

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

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

To the Board of Directors  
Alternative Education Academy  
Summit County, Ohio  
4 Summit Park Dr., Suite 350  
Independence, Ohio 44131

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 (*Government Auditing Standards*), the financial statements of the Alternative Education Academy, Summit County, Ohio (the “School”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated February 22, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) as a basis for designing 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 School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School'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 financial statements. 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*.

### **The School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

### **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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.  
Medina, Ohio  
February 22, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Alternative Education Academy  
Summit County, Ohio  
4 Summit Park Dr., Suite 350  
Independence, Ohio 44131

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Alternative Education Academy’s (the “School”), Summit County, Ohio, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School’s major federal programs for the year ended June 30, 2022. The School’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School’s federal programs.

### ***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
February 22, 2023

**ALTERNATIVE EDUCATION ACADEMY  
SUMMIT COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing #	Pass-through Agency Award	Grant Year	Expenditures	Total Provided to Subrecipients
<b>U. S. Department of Education</b>					
<i>Passed Through Ohio Department of Education:</i>					
Title I	84.010A	N/A	2022	\$ 1,310,090	\$ -
Title I	84.010A	N/A	2021	13,830	-
<i>Total Title I</i>				<u>1,323,920</u>	<u>-</u>
<i>Special Education Cluster:</i>					
IDEA Part B	84.027A	N/A	2022	853,447	-
COVID 19 -ARP IDEA Part B	84.027X	N/A	2022	194,262	-
<i>Total Special Education Cluster</i>				<u>1,047,709</u>	<u>-</u>
<i>Education Stabilization Fund</i>					
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	N/A	2022	2,777,591	-
COVID-19 - ARP - Elementary and Secondary School Emergency Relief	84.425U	N/A	2022	3,427,495	-
<i>Total Education Stabilization Fund</i>				<u>6,205,086</u>	<u>-</u>
Title IV-A Student Support and Academic Achievement	84.424A	N/A	2022	20,495	-
Title II-A Improving Teacher Quality	84.367A	N/A	2022	152,279	-
<i>Total U.S. Department of Education</i>				<u>8,749,489</u>	<u>-</u>
<b>Federal Communications Commission (Direct)</b>					
COVID-19 - Emergency Connectivity Fund Program	32.009	N/A	2022	915,926	-
<i>Total Federal Communications Commission</i>				<u>915,926</u>	<u>-</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 9,665,415</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

**ALTERNATIVE EDUCATION ACADEMY  
SUMMIT COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(B)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Alternative Education Academy, Summit County, Ohio (the School) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - TRANSFERS**

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2022, the ODE authorized the following transfers:

<u>AL Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.010A Title I	2021	\$ 25,373	
84.010A Title I	2022		\$25,373
84.367A Title II-A Improving Teacher Quality	2021	2,714	
84.367A Title II-A Improving Teacher Quality	2022		2,714
84.424A Title IV-A Student Support and Academic Enrichment	2021	241	
84.424A Title IV-A Student Support and Academic Enrichment	2022		241
		<u>\$ 28,328</u>	<u>\$28,328</u>

**ALTERNATIVE EDUCATION ACADEMY  
SUMMIT COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR §200.515  
June 30, 2022**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any significant deficiencies conditions reported at the financial statement level (GAGAS)?	None Reported
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies reported for major federal programs?	None Reported
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
(d) (1) (vii)	Major Programs (list):  COVID-19 - Education Stabilization Fund & COVID-19 - ARP - Education Stabilization Fund  COVID-19 – Emergency Connectivity Fund Program	AL #84.425D & AL #84.425U  AL #32.009
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: \$750,000 Type B: all others
(d) (1) (ix)	Low Risk Auditee under 2 CFR 200.520?	Yes

**ALTERNATIVE EDUCATION ACADEMY  
SUMMIT COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR §200.515  
June 30, 2022**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**Finding Number: 2022-001**

**Material Weakness – SEFA Reporting**

**Criteria:** A non-Federal entity that expends \$750,000 or more during its fiscal year in federal awards must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined in accordance with 2 CFR §200.502. (2 CFR §200.510)

**Condition:** The SEFA prepared by the School did not include expenditures of direct funds received from the Federal Communications Commission for the COVID-19 Emergency Connectivity Fund Program (ALN 32.009) of \$915,926. The School subsequently corrected the SEFA to include these amounts.

**Questioned Costs:** None.

**Identification of How Questioned Costs Were Computed:** N/A

**Context:** When reviewing the listing of ECF funding commitments provided by the Federal Communications Commission, we identified that the School received \$915,926 through the program during fiscal year 2022. We reviewed the listing of expenditures for the fiscal year 2022 to verify that the amounts were expended.

**Cause and Effect:** The School did not have procedures in place to identify the expenditure of funds as federal. As a result, the School did not include the amounts on the schedule of expenditures of federal awards initially.

**Recommendation:** We recommend that the School implement processes and procedures to review funding sources and annual expenditures to determine which expenditures should be included on the SEFA.

**Views of Responsible Officials and Corrective Action Plan:** See Corrective Action Plan.

**ALTERNATIVE EDUCATION ACADEMY  
SUMMIT COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR §200.515  
June 30, 2022**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None noted.

# OHDELA!

the ohio distance & electronic learning academy

4 Summit Park Drive, Suite 350, Independence, Ohio 44131  
P: 866-509-3099 | [www.ohdela.com](http://www.ohdela.com)

## **CORRECTIVE ACTION PLAN** **2 CFR § 200.511(c)** **June 30, 2022**

<b>Finding Number:</b>	2022-001
<b>Planned Corrective Action:</b>	Board Resolution Approving Funds Received
<b>Completion Date:</b>	2/28/2023
<b>Responsible Contact Person:</b>	Stephanie Ataya, Treasurer/Fiscal Officer
<b>Action Plan:</b>	Management Company was informed that procedures involving the application and receiving of the ECF funds were not followed. Therefore, Management informed the Board of the funds being received by the management company on the school's behalf. Board was also notified that all expenses were accurately recorded and spent in accordance with grant requirements. The management company is aware that any future instances of applying for a grant and receiving grant funds on a school's behalf must have board approval.

**This page intentionally left blank.**



# OHIO AUDITOR OF STATE KEITH FABER



**ALTERNATIVE EDUCATION ACADEMY**

**SUMMIT 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 4/11/2023**

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](http://www.ohioauditor.gov)