OHIO AUDITOR OF STATE
KEITH FABER

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
JUNE 30, 2020

TABLE OF CONTENTS

This page intentionally left blank.

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

INDEPENDENT AUDITOR'S REPORT

Hope Academy for Autism
Trumbull County
10608 Penfield Ave.
Garfield Heights, OH 44125

To the Board of Directors:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Hope Academy for Autism, Trumbull County, Ohio (the Academy), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Because of the matter(s) described in the Basis for Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient evidence to support the completeness, accuracy, cutoff, and classification of expenses, accounts payable, loans payable, and therefore, also unrestricted net position for the year ended June 30, 2020, nor were we able to satisfy ourselves by other auditing procedures.

Disclaimer of Opinion

Due to the significance of the matters discussed in *the Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the year ended June 30, 2020.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. In addition, as discussed in Note 14 to the financial statements, the Academy has suffered recurring losses from operations and has a net deficiency. Note 14 also describes management's evaluation of the events and conditions and their plans to mitigate these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an engagement performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2023

The discussion and analysis of Hope Academy for Autism (the Academy) financial performance provides an overall review of the financial activities for fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights
Key financial highlights for the Hope Academy for Autism for fiscal year ended June 30, 2020 are as follows:

- Total assets and deferred outflows decreased $170,968 which represents a 24 percent decrease from 2019.
- Total liabilities and deferred inflows decreased $32,487 which represents a 2 percent decrease from 2019.
- Total revenue decreased $69,654, which represents a 7 percent decrease from 2019.
- Total expenses decreased $61,885, which represents a 5 percent decrease from 2019.
- Total net position decreased $138,481 which represents a 10 percent decrease from 2019.

Using this Financial Report
This financial report contains the basic financial statements of the Academy, as well as the required supplemental information and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position
The statement of net position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital as well as short-term and long-term, using the accrual basis of accounting and the 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 paid.

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

Table 1 provides a summary of the Academy's net position as of June 30, 2020.

(Table 1)
Net Position

	2020	2019	Change
Assets			
Current Assets	$ 164,784	$ 28,585	$ 136,199
Capital Assets, Net	6,060	699	5,361
Net OPEB Asset	29,713	45,028	(15,315)
Total Assets	200,557	74,312	126,245

Deferred Outflows of Resources			
Pension	272,580	559,985	(287,405)
OPEB	76,397	86,205	(9,808)
Total Deferred Outflows of Resources	348,977	646,190	(297,213)
Liabilities			
Current Liabilities	240,564	104,904	135,660
Long-Term Liabilities	1,381,754	1,794,670	(412,916)
Total Liabilities	1,622,318	1,899,574	(277,256)
Deferred Inflows of Resources			
Pension	270,810	98,605	172,205
OPEB	201,154	128,590	72,564
Total Deferred Inflows of Resources	471,964	227,195	244,769
Net Position			
Investment in Capital Assets	6,060	699	5,361
Unrestricted	(1,550,808)	(1,406,966)	(143,842)
Total Net Position	$(1,544,748)	$(1,406,267)	$(138,481)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

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

(Table 2)
Change in Net Position

	2020	2019	Change
Operating Revenues			
State Foundation	$ 798,445	$862,731	$ (64,286)
Non-Operating Revenues			
Federal and State	146,008	103,231	42,777
Miscellaneous	8,970	57,115	(48,145)
Total Revenues	953,423	1,023,077	(69,654)

Operating Expenses			
Salaries and Wages	367,923	570,655	(202,732)
Fringe Benefits	238,442	278,304	(39,862)
Purchased Services	402,796	216,831	185,965
Material and Supplies	28,926	39,799	(10,873)
Depreciation	639	2,311	(1,672)
Non-Operating Expenses			
Other Expenses	53,178	45,889	7,289
Total Expenses	1,091,904	1,153,789	(61,885)
Change in Net Position	(138,481)	(130,712)	(7,769)
Net Position, Beginning of Year	(1,406,267)	(1,275,554)	(130,713)
Net Position, End of Year	$(1,544,748)	$(1,406,267)	$(138,481)

Total revenues almost entirely dependent on per-pupil allotment given by the State foundation and from Federal entitlement programs. This decrease is primarily the result of student enrollment decreasing from 50 students in fiscal year 2019 to 48 students in fiscal year 2020.

Total expenses decreased slightly from the previous fiscal year.

Capital Assets
At June 30, 2020, capital assets of the Academy were $28,185, which were offset by $22,125 in accumulated depreciation resulting in net capital assets of $6,060. See Note 4 of the notes to the basic financial statements for additional information.

Restrictions and Other Limitations
The future stability of the Academy is not without challenges. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Current Financial-Related Activities
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 has impacted the current period and will continue to impact subsequent periods of the Academy. Due to the dynamic environment and change in fiscal policies, the exact impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

The Academy is sponsored by Educational Resource Consultants of Ohio, Inc. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer quality educational services to students. In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy
This financial report is designed to provide a general overview of the finances of the Hope Academy for Autism and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Hope Academy for Autism, 1812 Oak Hill Avenue, Youngstown, Ohio 44507.

This page intentionally left blank.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

ASSETS	
CURRENT ASSETS	
Cash	$ 66,976
Accounts Receivable	21,124
Intergovernmental Receivable	76,684
Total Current Assets	164,784
NON-CURRENT ASSETS	
Capital Assets, Net	6,060
Net OPEB Asset	29,713
TOTAL ASSETS	200,557
DEFERRED OUTFLOWS OF RESOURCES	
Pension	272,580
OPEB	76,397
TOTAL DEFERRED OUTFLOWS OF RESOURCES	348,977
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	169,588
Accrued Wages & Benefits	22,405
Intergovernmental Payable	7,571
Loan Payable	41,000
Total Current Liabilities	240,564
LONG-TERM LIABILITIES	
Net Pension Liability (See Note 6)	1,085,937
OPEB Liability (See Note 7)	295,817
TOTAL LIABILITIES	1,622,318
DEFERRED INFLOWS OF RESOURCES	
Pension	270,810
OPEB	201,154
TOTAL DEFERRED INFLOWS OF RESOURCES	471,964
NET POSITION	
Investment in Capital Assets	6,060
Unrestricted	(1,550,808)
TOTAL NET POSITION	$ (1,544,748)

See accompanying notes to the financial statements.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPERATING REVENUES:	
Foundation	$ 798,445
Total Operating Revenues	798,445
OPERATING EXPENSES	
Salaries and Wages	367,923
Fringe Benefits	238,442
Purchased Services	402,796
Materials and Supplies	28,926
Depreciation	639
Total Operating Expenses	1,038,726
Operating Loss	(240,281)
NON-OPERATING REVENUES/(EXPENSES)	
Federal and State Grant Revenue	146,008
Other Revenues	8,970
Other Expenses	(53,178)
Total Non-Operating Revenues/(Expenses)	101,800
Change in Net Position	(138,481)
Net Position, Beginning of Year	(1,406,267)
Net Position, End of Year	$ (1,544,748)

See accompanying notes to the financial statements.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

INCREASE (DECREASE) IN CASH	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 798,445
Cash Payments to Employees for Services and Benefits	(536,912)
Cash Payments to Suppliers for Goods and Services	(262,134)
Net Cash Used for Operating Activities	(601)
Cash Flows from Noncapital Financing Activities	
Federal and State Grants	88,071
Charter School Capital Advances	76,000
Cash Payments on Charter School Capital Advances	(35,000)
Cash Payments for Charter School Capital Cost of Funding	(1,189)
Other Revenue	(12,153)
Other Expenses	(51,990)
Net Cash Provided by Noncapital Financing Activities	63,739
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Acquisitions	(6,000)
Net Cash Used for Capital and Related Financing Activities	(6,000)
Net Increase in Cash	57,138
Cash, Beginning of Year	9,838
Cash, End of Year	$ 66,976

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (240,281)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	639
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in Net OPEB Asset	15,315
(Increase) Decrease in Deferred Outflows	297,213
Increase (Decrease) in Accrued Wages	(67,413)
Increase (Decrease) in Intergovernmental Payable	(7,515)
Increase (Decrease) in Accounts Payable	169,588
Increase (Decrease) in Net Pension Liability	(320,382)
Increase (Decrease) in OPEB Liability	(92,534)
Increase (Decrease) in Deferred Inflows	244,769
Total Adjustments	239,680
Net Cash Used for Operating Activities	$ (601)

See accompanying notes to the financial statements.

1. Description of the Academy and Reporting Entity

Hope Academy for Autism (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide a nurturing environment, and develop the full potential of gifted students within the Autistic Spectrum Disorders population, by using a multi-structured approach to addressing their individual needs. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Resource Consultants of Ohio, Inc. (the Sponsor) for fiscal year ended June 30, 2013. The Academy entered into a one-year contract with the Sponsor commencing July 1, 2012. The Sponsor renewed the Academy’s contract for two years commencing July 1, 2013. On June 1, 2016, the Sponsor renewed the Academy’s contract for one year and will automatically renew for one year through June 30, 2018 due to the status of the sponsorship between the Ohio Department of Education and the Sponsor. July 1, 2019, the Sponsor renewed the Academy’s contract for two years and will automatically renew for one year through June 30, 2021. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status.

2. Summary of Significant Accounting Policies

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) 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 Academy's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

2. Summary of Significant Accounting Policies (Continued)

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

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash

All monies received by the Academy are maintained in a demand deposit account. For purposes of the statement of cash flows, the Academy considers all investments having original maturities of 90 days or less as cash equivalents. The Academy did not have any investments during fiscal year 2020.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of $1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method. The Academy's capital assets consist of vehicles, furniture and equipment, and improvements. Vehicles, furniture, and equipment are depreciated over five years.

F. Estimates

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

G. Intergovernmental Revenues

The Academy is a participant in the State Foundation. The foundation is recognized as operating revenues in the accounting period in which it is earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

For fiscal year 2020, intergovernmental revenues associated with the Foundation totaled $798,445. Revenues associated with specific education grants from the state and federal governments totaled $146,008.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation, if any.

2. Summary of Significant Accounting Policies (Continued)

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Accrued Liabilities

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2020. Accrued liabilities totaled $240,564 at June 30, 2020.

J. Deferred Outflows / Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the Academy, deferred inflows of resources are reported on the statement of net position include pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Investment in capital assets, if any, consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the Academy at year-end represents unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. Deposits

At June 30, 2020, the carrying amount of the Academy's deposits was $66,976 and the bank balance was $70,773. Of the bank deposits, all were covered under FDIC. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk.

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance 7/1/2019	Additions	Disposals	Balance 6/30/2020
Capital Assets:				
Furniture and Equipment	$ 17,731	$ 6,000	$ -	$ 23,731
Improvement	1,900	-	-	1,900
Bus	2,554	-	-	2,554
Total Capital Assets	22,185	6,000	-	28,185
Less: Accumulated Depreciation	(21,486)	(639)	-	(22,125)
Capital Assets, Net	$ 699	$ 5,361	$ -	$ 6,060

5. Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2020, the Academy maintains liability insurance with respect to the particular activities of the Academy in the building. The Academy contracted with Philadelphia Indemnity Insurance Company for its insurance coverage as follows:

General Liability per occurrence	$1,000,000
General Liability aggregate	$2,000,000

There have been no settlements paid in excess of insurance coverage, nor has insurance coverage been significantly reduced in the past three years.

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Insurance Benefits

The Academy utilizes Aflac to provide health, life, vision, and dental insurance benefits to Academy employees.

6. 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.

6. Defined Benefit Pension Plans (Continued)

The net pension/OPEB liability (asset) represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/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.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 *intergovernmental payable*.

The remainder of this note includes the required pension disclosures. See Note 6 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy 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 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, will be included in this plan.

6. Defined Benefit Pension Plans (Continued)

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.

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. Beginning April 1, 2018, 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. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, 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 2020.

The Academy's contractually required contribution to SERS was $37,239 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective 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 through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

6. Defined Benefit Pension Plans (Continued)

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. 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 unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $22,346 for fiscal year 2020.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Academy'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. Following is information related to the proportionate share and pension expense:

6. Defined Benefit Pension Plans (Continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01151850%	0.00179415%	
Prior Measurement Date	0.01379720%	0.00280214%	
Change in Proportionate Share	-0.00227870%	-0.00100799%	
Proportionate Share of the Net Pension Liability	$ 689,172	$ 396,765	$ 1,085,937
Pension Expense	$ 91,095	$ 107,718	$ 198,813

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the Academy's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 17,477	$ 3,228	$ 20,705
Changes of Assumptions	0	46,608	46,608
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	26,016	119,666	145,682
Academy Contributions Subsequent to the Measurement Date	37,239	22,346	59,585
Total Deferred Outflows of Resources	$ 80,732	$ 191,848	$ 272,580
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 1,717	$ 1,717
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,848	19,391	28,239
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	86,972	153,882	240,854
Total Deferred Inflows of Resources	$ 95,820	$ 174,990	$ 270,810

6. Defined Benefit Pension Plans (Continued)

$59,585 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ (16,914)	$ 41,601	$ 24,687
2022	(39,843)	8,591	(31,252)
2023	(587)	(19,559)	(20,146)
2024	5,017	(36,121)	(31,104)
	$ (52,327)	$ (5,488)	$ (57,815)

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 2035.

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, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

6. Defined Benefit Pension Plans (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

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

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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 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 25-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 (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Academy's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	$ 965,776	$ 689,172	$ 457,205

6. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - STRS

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

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

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, 2019 valuation, were based on 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:

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

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

**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 7.45 percent as of June 30, 2019. 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, 2019.

6. Defined Benefit Pension Plans (Continued)

Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the Academy's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	$ 579,830	$ 396,765	$ 241,794

7. Postemployment Benefits

See Note 6 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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,

7. Postemployment Benefits (Continued)

2020, 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 2020, this amount was $19,600. 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 2020, the Academy's surcharge obligation was $4,980.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net 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, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability (asset) was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.01176310%	0.00179415%	
Prior Measurement Date	0.0139983%	0.00280214%	
Change in Proportionate Share	-0.0022352%	-0.00100799%	
Proportionate Share of the Net			
OPEB Liability (Asset)	$ 295,817	$ (29,713)	
OPEB Expense	$ 12,185	$ (2,632)	$ 9,553

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

7. Postemployment Benefits (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 4,342	$ 2,695	$ 7,037
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	709	0	709
Changes of Assumptions	21,606	625	22,231
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	13,283	28,157	41,440
Academy Contributions Subsequent to the Measurement Date	4,980	0	4,980
Total Deferred Outflows of Resources	$ 44,920	$ 31,477	$ 76,397
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 64,989	$ 1,512	$ 66,501
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	1,867	1,867
Changes of Assumptions	16,577	32,575	49,152
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	76,523	7,111	83,634
Total Deferred Inflows of Resources	$ 158,089	$ 43,065	$ 201,154

$4,980 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ (18,533)	$ (2,146)	$ (20,679)
2022	(23,569)	(2,146)	(25,715)
2023	(23,359)	(1,400)	(24,759)
2024	(23,392)	(1,127)	(24,519)
2025	(20,505)	(3,671)	(24,176)
Thereafter	(8,791)	(1,098)	(9,889)
	$ (118,149)	$ (11,588)	$ (129,737)

7. Postemployment Benefits (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (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

7. Postemployment Benefits (Continued)

return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer 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, 2015 five-year experience study, are summarized as follows:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 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 0.5 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 future benefit payments during the fiscal year ending June 30, 2025. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as 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 by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

7. Postemployment Benefits (Continued)

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$ 359,063	$ 295,817	$ 245,525

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$ 237,008	$ 295,817	$ 373,838

Actuarial Assumptions – STRS

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

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	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	Initial	Ultimate
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 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:

7. Postemployment Benefits (Continued)

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

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

**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 7.45 percent as of June 30, 2019. 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 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of the Academy'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 as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, 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.

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	$ (25,354)	$ (29,713)	$ (33,378)

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	$ (33,693)	$ (29,713)	$ (24,838)

8. Advance Payable

During the fiscal year ending 2020, the Academy received working capital advances from Charter School Capital through a receivables purchase agreement. As the Academy receives its monthly State funding, these advances are repaid, however, the Academy may elect to receive future advances from Charter School Capital by entering into additional agreements. The total cost of funding for the year was $1,189.

The total amount of advances outstanding at June 30, 2020 was $41,000. The activity for the year is reflected as follow:

	Balance 7/01/2019	Additions	Reductions	Balance 06/30/2020
Charter School Capital	$ -	$ 76,000	$ (35,000)	$ 41,000

9. Purchased Services

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

Professional Services	$ 158,958
Property Services	145,021
Meeting	122
Communication	8,107
Utilities	20,620
Contracted Services (Food Service)	10,420
Transportation	59,548
Total Purchased Services	$ 402,796

10. Operating Lease

On May 24, 2012, the Academy entered into a lease agreement with the Shepherd of All God's Children Development Center for a portion of a building in the amount of $10,000 per month. The lease is for 3 years, ending December 31, 2015, with the option to renew for one extended term of 2 years.

On October 1, 2015, the Academy entered into a commercial lease agreement with the Shepherd of All God's Children Development Center for a portion of a building for Hope for Autism 2 in the amount of $7,000 per month. The lease end September 2016. The lease may renew for one extended term of 2 years. Lease payments to the Shepherd of All God's Children Development totaled $37,672 for the fiscal year ended June 30, 2020.

The Academy leases an office equipment under non-cancelable operating lease that expires in 2021. Total equipment lease expense for the fiscal year ended June 30, 2020 was $402. The lease agreement grants the Academy options to renew the lease, purchase the office equipment at fair market value or return the office equipment.

11. Sponsor

A sponsorship agreement was executed between the Academy and the Educational Resource Consultants of Ohio for two (2) year period commencing July 1, 2013. On June 1, 2016, the Sponsor renewed the Academy's contract for one year and will automatically renew for one year through June 30, 2018 due to the status of the sponsorship between the Ohio Department of Education and the Sponsor.

11. Sponsor (Continued)

July 1, 2019, the Sponsor renewed the Academy's contract for two years and will automatically renew for one year through June 30, 2021. Under this agreement, the Academy pays the Sponsor 3% of State Aid. The Academy's sponsor fee expense at June 30, 2020 totaled $23,646.

12. Contingencies

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2020, if applicable, cannot be determined at this time.

B. Full-Time Equivalency

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2020.

As of the date of this report, additional ODE adjustments for fiscal year 2020 are finalized. FTE adjustments resulted in an underpayment of $28,573 due to the Academy. This amount was recorded as an intergovernmental receivable in the Academy's financial statements.

In addition, the Academy's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 are finalized. This amount is considered immaterial and has not been recorded in the Academy's financial statement.

13. Subsequent Events

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 has impacted the current period and will continue to impact subsequent periods of the School District. Due to the dynamic environment and change in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

May 18, 2020, the Board adopted Resolution 2020-019 to change the Academy's name from Hope Academy for Autism" to "the Brilliance School".

14. Fiscal Distress

As of June 30, 2020, the Academy had a deficit of $1,544,748, GASB 68 and 75 accruals accounted for $1,475,028 of this deficit. The Academy's administration and Board have instituted budgetary constraints which ensure discretionary expenditures remain within annual resources.

Management continues to take steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the Academy to return to financial stability. Management will also pursue grassroots and social media marketing strategies to help increase enrollment, as well as concerted efforts to cut expenditures.

This page intentionally left blank.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY, OHIO
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)							
Academy's Proportion of the Net Pension Liability	0.01151850%	0.01379720%	0.01490830%	0.01269860%	0.01111720%	0.00832900%	0.00832900%
Academy's Proportionate Share of the Net Pension Liability	$ 689,172	$ 790,191	$ 890,738	$ 929,420	$ 634,358	$ 421,526	$ 495,299
Academy's Covered Payroll	$ 390,296	$ 459,867	$ 450,650	$ 394,371	$ 355,508	$ 244,481	$ 123,049
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	176.58%	171.83%	197.66%	235.67%	178.44%	172.42%	402.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)							
Academy's Proportion of the Net Pension Liability	#N/A	0.00280214%	0.00221804%	0.00186431%	0.00163104%	0.00102238%	0.00102238%
Academy's Proportionate Share of the Net Pension Liability	$ 396,765	$ 616,128	$ 526,900	$ 624,041	$ 450,772	$ 248,678	$ 296,224
Academy's Covered Payroll	$ 210,643	$ 318,557	$ 243,843	$ 196,164	$ 172,143	$ 112,492	$ 92,685
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.36%	193.41%	216.08%	318.12%	261.86%	221.06%	319.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(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.

See accompanying notes to the required supplementary information.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - Pension
Last Eight Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014	2013
School Employees Retirement System (SERS)								
Contractually Required Contribution	$ 37,239	$ 52,690	$ 62,082	$ 63,091	$ 55,212	$ 46,856	$ 33,885	$ 17,030
Contributions in Relation to the Contractually Required Contribution	(37,239)	(52,690)	(62,082)	(63,091)	(55,212)	(46,856)	(33,885)	(17,030)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Academy Covered Payroll	$265,993	$390,296	$459,867	$450,650	$394,371	$355,508	$244,481	$123,049
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
State Teachers Retirement System (STRS)								
Contractually Required Contribution	$ 22,346	$ 29,490	$ 44,598	$ 34,138	$ 27,463	$ 24,100	$ 14,624	$ 12,049
Contributions in Relation to the Contractually Required Contribution	(22,346)	(29,490)	(44,598)	(34,138)	(27,463)	(24,100)	(14,624)	(12,049)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Academy Covered Payroll	$159,614	$210,643	$318,557	$243,843	$196,164	$172,143	$112,492	$ 92,685
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available

See accompanying notes to the required supplementary information.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY, OHIO
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability/(Asset) Last Four Fiscal Years (1)

	2020	2019	2018	2017
School Employees Retirement System (SERS)				
Academy's Proportion of the Net OPEB Liability	0.01%	0.01%	0.01%	0.01%
Academy's Proportionate Share of the Net OPEB Liability	$ 295,817	$ 388,351	$ 402,467	$ 362,153
Academy's Covered Payroll	$ 390,296	$ 459,867	$ 450,650	$ 394,371
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	75.79%	84.45%	89.31%	91.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)				
Academy's Proportion of the Net OPEB Liability/(Asset)	0.00%	0.00%	0.00%	0.00%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	$ (29,713)	$ (45,028)	$ 86,540	$ 99,704
Academy's Covered Payroll	$ 210,643	$ 318,557	$ 243,843	$ 196,164
Academy's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.11%	-14.13%	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information Prior to 2017 not available

See accompanying notes to the required supplementary information.

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - OPEB
Last Eight Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013
School Employees Retirement System (SERS)								
Contractually Required Contribution (1)	$ 4,980	$ 8,938	$ 9,866	$ 7,563	$ 5,729	$ 8,473	$ 4,492	$ 208
Contributions in Relation to the Contractually Required Contribution	(4,980)	(8,938)	(9,866)	(7,563)	(5,729)	(8,473)	(4,492)	(208)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0
School's Covered Payroll	$ 265,993	$ 390,296	$ 459,867	$ 450,650	$ 394,371	$ 355,508	$ 244,481	$ 123,049
OPEB Contributions as a Percentage of Covered Payroll (1)	1.87%	2.29%	2.15%	1.68%	1.45%	2.38%	1.84%	0.17%
State Teachers Retirement System (STRS)								
Contractually Required Contribution	$0	$0	$0	$0	$0	$0	$1,125	$927
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	0	0	(1,125)	(927)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0
School's Covered Payroll	$159,614	$210,643	$318,557	$243,843	$196,164	$172,143	$112,492	$92,685
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

(1) Includes surcharge
(2) Information Prior to 2013 not available

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

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 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. 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 - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

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 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 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 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

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

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

Changes in Assumptions – STRS

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 - SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

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.

NOTE 9 – FISCAL DISTRESS (FY20)

As of June 30, 2020, the School had a deficit of $1,544,748, GASB 68 and 75 accruals accounted for $1,475,028 of this deficit. The Schools administration and Board have instituted budgetary constraints which ensure discretionary expenditures remain within annual resources.

NOTE 10 – MANAGEMENT'S PLAN (FY20)

Management continues to take steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the School to return to financial stability. Management will also pursue grassroots and social media marketing strategies to help increase enrollment, as well as concerted efforts to cut expenditures.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

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

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

Hope Academy for Autism
Trumbull County
10608 Penfield Ave.
Garfield Heights, OH 44125

To the Board of Directors:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Hope Academy for Autism, Trumbull County, Ohio (the Academy), as of and for the year ended June 30, 2020, and have issued our report thereon dated February 14, 2023. We did not opine on these financial statements because we were unable to obtain sufficient evidence to support the expenses, accounts payable, loans payable, and therefore, also unrestricted net position for the year ended June 30, 2020. We also noted the Academy included a disclosure regarding the potential financial impact of COVID-19 and the ensuing emergency measures, and the Academy's recurring loses and net position deficits and a reference to their plans to mitigate these matters.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider finding 2020-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our engagement and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance and another matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

Academy's Response to Findings

The Academy's responses to the findings identified in our engagement are described in the accompanying schedule of findings. We did not subject the Academy's responses to the engagement procedures applied in the engagement of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2023

HOPE ACADEMY FOR AUTISM
TRUMBULL COUNTY

SCHEDULE OF FINDING
JUNE 30, 2020

1. Full Time Equivalency Reporting

FINDING NUMBER 2020-001

NONCOMPLIANCE

Ohio Rev. Code § 3314.08 provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure. Ohio Rev. Code § 3314.191 states that no payments will be made under Ohio Rev. Code § 3314.08 during the first year of operations unless certain conditions are met.

Community schools must provide documentation that clearly demonstrates students have commenced participation in learning opportunities, through attendance records.

For school year 2020, the Academy could not provide documentation for student enrollment, withdrawal, attendance and a master school calendar to demonstrate the Academy offered the minimum 920 hours of learning opportunities.

The Academy should obtain and retain all documentation required for FTE information as required by ODE.

Official's Response: The new Board of Directors, treasurer, and school leaders are working in concert to ensure all attendance policies are procedures are in implemented and followed. This attendance and enrollment procedure includes enrollments and withdrawals. Additionally, the school is following a board approved master calendar.

2. Missing Records and Overall Lack of Controls

FINDING NUMBER 2020-002

MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Additionally, Ohio Administrative Code §117-2-01(A) states all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices. Section (B) defines "Internal control" as a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Reliability of financial reporting;
2. Effectiveness and efficiency of operations;
3. Compliance with applicable laws and regulations; and
4. Safeguarding of assets.

The Academy's former Executive Director is in possession of the following records and will not provide them to the Academy:

- Supporting documentation for non-payroll expenditures for 11 of the 23 transactions selected for testing. Additionally, for the 12 non-payroll vouchers that we were able to review, there were no purchase orders, and no one signs off on the invoices.
- Loan agreement for a State funding receivable purchase agreement.
- All 12 of the debit card statements. Refer to Finding 2020-005.
- October through December 2019, and January 2020 Board of Directors meeting minutes and all of 2019 Board resolutions.
- Employee payroll documentation: employee timesheets, electronic fund transfers to banks, severance payouts, and authorized pay rates for 22 of the 24 employees selected for payroll testing.
- Supporting documentation to test average daily membership (ADM), full time equivalency (FTE), and the accounts payable balance.
- Fraud reporting forms for newly hired employees.
- Monthly reviews of financial and enrollment records by the Sponsor.
- FY 2020 verifications that no findings for recovery have been issued against governing board members, individuals that propose to create the school, the operator, or any employee of the school

Documentation that the lease for real property entered into with the management company was verified as commercially reasonable by an independent professional in the real estate field

The Academy should maintain all documents for all financial transactions and records be maintained in an orderly manner to support all transactions. In addition, the Board and Directors should ensure the financial controls are in operation including the following:

- Policies are instituted and adhered to;
- Pay bills timely;
- Determine if system is adequate for financial accuracy and consistency;
- Appoint Board to committees for additional oversight; and
- Take corrective action on audit reports.

Official's Response: Currently, the school management team, treasurer, and Board of Directors are following specific guidelines and policies related to the school's accounting system. These guidelines and processes include systems of controls around spending, reporting, record keeping, and compliance with laws and regulations. As it relates to the 2019-2020 audit, the former Executive Director is in possession of specific documents related to the accounting practices employed in the FY20 school year.

3. Segregation of Duties

FINDING NUMBER 2020-003

SIGNIFICANT DEFICIENCY

Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation).

During the review of the Academy's internal control design and implementation, it was noted that the same employee or employees were responsible for multiple, incompatible steps without evidence of compensating controls when completing the non-payroll function.

Due to the small size of the Academy, segregation of duties is not always feasible. In such situations, proper oversight by the Board and/or finance committee can compensate to a certain extent, deficiencies in segregation of duties.

This lack of segregation of duties might lead to fraud, theft, or errors going undetected.

The Academy should have segregation of duties for all transaction cycles.

Official's Response: Currently, the school practices segregation of duties. Moving forward, the school Operations Director will review all invoices and send to the management representative for approval. The management representative will approve the invoice and send to the school licensed treasurer for payment. Additionally, due to the small size of the school, the Board of Directors utilizes a Finance Committee to oversee all transactions at the school. This committee reports to the board monthly. The committee is comprised of board representatives, management team representatives and the licensed school treasurer.

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. The issue does not impact our GAGAS report.

1. Lack of Proper Public Purpose - Finding for Recovery

FINDING NUMBER 2020-004

During our review of non-payroll expenses and debit card expenses of the card maintained by the former Director, Kimberly Clinkscale, we noted purchases without supporting documentation of $3,815. Without supporting documentation, proper public purpose could not be determined. One of the concerns was no debit card statements or receipts for any of the debit card purchases.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the former Director, Kimberly Clinkscale, for $3,815 and in favor of the Hope Academy.

The former Director should reimburse the Academy the amounts above.

Official's Response: As it relates to the 2019-2020 audit, the former Executive Director, Kimberly Clinkscale, is in possession of specific documents related to the accounting practices employed in the FY20 school year. This includes documentation related to some purchases. Currently, the school does not use debit cards for any transactions.

This page intentionally left blank.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Full Time Equivalency Reporting	Not Corrected. Reissued as 2020-001	
2019-002	Missing Records and Overall Lack of Controls	Not Corrected. Reissued as 2020-002	
2019-004	Financial Distress	Not Corrected. Reissued in Management Letter	
2019-003	Segregation of Duties	Not Corrected. Reissued as 2020-003	
2019-005	Director Overpayments - Finding for Recovery	Not Corrected. Reissued as 2020-004	

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

HOPE ACADEMY FOR AUTISM

CUYAHOGA 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 3/28/2023