THE HALEY SCHOOL
CUYAHOGA COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

THE HALEY SCHOOL
CUYAHOGA COUNTY
JUNE 30, 2018

TABLE OF CONTENTS

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

The Haley School
Cuyahoga County

St. Aloysius Orphanage
School Sponsor
Hamilton County
4721 Reading Road
Cincinnati, Ohio 45237

To the Board of Directors and Sponsor:

Report on the Financial Statements

We have audited the accompanying financial statements of The Haley School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Haley School, Cuyahoga County, Ohio, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphases of Matter

As discussed in Note 3 to the financial statements, during 2018, the School adopted accounting guidance in Governmental Accounting Standards Board (GASB) Statements No. 69, *Government Combinations and Disposals of Government Operations*, and 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to these matters.

As discussed in Note 17 to the financial statements, the School closed on June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

January 24, 2020

This page intentionally left blank.

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The discussion and analysis of The Haley School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Total assets of the School were $59,463 and total liabilities of the school were $59,463. The decrease in assets and liabilities were a result of the School's closure.

- The School had operating revenues of $1,513,002, operating expenses of $1,839,911, non-operating revenues of $355,577 and a special item of $1,563,903 for fiscal year 2018. The change in net position was an increase of $1,592,571.

- The special item of $1,563,903 represents the impact related to the closing of the School. This includes the disposal of capital assets, the gain on GASB 68 and 75 write-offs, and the write-off of capital lease obligations outstanding.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The s*tatement of net position* and s*tatement of revenues, expenses and changes in net position* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension and OPEB liabilities.

The table below provides a summary of the School's net position for fiscal year 2018 and 2017. Net position (deficit) at June 30, 2017, has been restated as described in Note 3 of the notes to the basic financial statements.

Net Position

	2018	(Restated) 2017
Assets		
Current assets	$ 59,463	$ 167,612
Capital assets, net	-	310,649
Total assets	59,463	478,261
Deferred outflows of resources	-	1,301,313
Liabilities		
Current liabilities	59,463	228,008
Non-current liabilities	-	3,184,137
Total liabilities	59,463	3,412,145
Deferred inflows of resources	-	-
Net Position		
Investment in capital assets	-	271,586
Restricted	-	99,569
Unrestricted (deficit)	-	(1,963,726)
Total net position (deficit)	$ -	$ (1,592,571)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School's net position was zero. Overall, the changes in assets and liabilities was due to the School's closure and the implementation of GASB Statement No. 69.

Current assets represent cash, accounts receivable, intergovernmental receivables, prepayments for accounting services provided after closing, and assets held for resale. Current liabilities represent the amounts due at fiscal year-end for professional services and materials and supplies.

The table on the next page shows the changes in net position for fiscal years 2018 and 2017.

Change in Net Position

	2018	2017
Operating Revenues:		
State foundation	1,513,002	1,677,282
Total operating revenue	1,513,002	1,677,282
Operating Expenses:		
Salaries and wages	955,853	1,092,656
Fringe benefits	205,405	677,714
Purchased services	575,777	750,123
Materials and supplies	49,925	67,463
Depreciation	33,430	26,764
Other operating	19,521	25,915
Total operating expenses	1,839,911	2,640,635
Non-operating Revenues:		
Federal and State grants	355,577	404,014
Interest and fiscal charges	-	(2,911)
Total non-operating revenues	355,577	401,103
Special Item:	1,563,903	-
Change in net position	1,592,571	(562,250)
Net position (deficit) at beginning of year (restated)	(1,592,571)	N/A
Net position (deficit) at end of year	$ -	$ (1,592,571)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 expenses still include OPEB expense of $3,925 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. Due to the School closure, outstanding balances relating to GASB 75 were written-off as part of the special item for 2018.

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from Federal entitlement programs. The School received Federal grant monies through the Federal Food Reimbursement, Title II-A, IDEA Part B, and Title I programs.

Capital Assets

The School's capital assets were liquidated at year end due to the closure of the School. There was $4,776 in assets held for resale.

Debt

The School made $6,478 in capital lease obligation payments during fiscal year 2018. Due to the School closure, the capital lease obligation was written-off as part of the special item.

Current Financial Related Activities

The School is sponsored by St. Aloysius Orphanage. The School is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

The School ceased operations effective June 30, 2018.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Lamb, Treasurer, The Haley School, at dlamb@charterschoolspec.com.

BASIC
FINANCIAL STATEMENTS

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:		
Current assets:		
Cash	$	40,382
Receivables:		
Accounts		1,049
Intergovernmental		11,156
Prepayments		2,100
Assets held for resale		4,776
Total assets		59,463
Liabilities:		
Current liabilities:		
Accounts payable		59,463
Total liabilities		59,463
Net position:		
Unrestricted		-
Total net position	$	-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
State foundation.	$ 1,513,002
Total operating revenues	1,513,002
Operating expenses:	
Salaries and wages.	955,853
Fringe benefits.	205,405
Purchased services.	575,777
Materials and supplies	49,925
Depreciation	33,430
Other operating.	19,521
Total operating expenses.	1,839,911
Operating loss.	(326,909)
Non-operating revenues (expenses):	
Federal and State grants	355,577
Total non-operating revenues (expenses)	355,577
Income before special item	28,668
Special item.	1,563,903
Change in net position	1,592,571
Net position (deficit) at beginning of year (restated) . .	(1,592,571)
Net position at end of year.	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:		
Cash received from State foundation	$	1,542,875
Cash payments for personal services		(1,332,327)
Cash payments for purchased services		(564,807)
Cash payments for materials and supplies		(48,322)
Cash payments for other operating expenses		(16,611)
Net cash used in operating activities		(419,192)
Cash flows from noncapital financing activities:		
Cash received from Federal and State subsidies.		418,956
Net cash provided by noncapital financing activities.		418,956
Cash flows from capital and related financing activities:		
Principal retirement on capital lease		(6,478)
Net cash used in capital and related financing activities.		(6,478)
Net decrease in cash.		(6,714)
Cash at beginning of year		47,096
Cash at end of year.	$	40,382
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(326,909)
Adjustments:		
Depreciation		33,430
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable.		(1,049)
Prepayments.		(2,100)
Intergovernmental receivable.		45,981
Accounts payable.		18,632
Accrued wages and benefits.		(152,176)
Intergovernmental payable.		(35,001)
Net cash used in operating activities	$	(419,192)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Haley School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is committed to providing diverse superior educational opportunities for a community of learners built on a foundation of character education in a safe environment ensuring the success of all children in our advancing technological society.

The School was approved under contract with the St. Aloysius Orphanage (the "Sponsor") commencing on July 1, 2017 and ending on June 30, 2017, with an automatic renewal for one year through June 30, 2018. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration. The School closed on June 30, 2018, based on a unanimous decision by its board on March 1, 2018.

The School operates under the direction of a Governing Authority which must contain at least five Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the School. The Governing Authority 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 qualification of teachers. The Governing Authority controls the School's instructional/support facility staffed by employees who provide services to 200 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School's significant accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the School's finances meet its cash flow needs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been reported for the following three items related to the School's net pension liability: (1) the difference between expected and actual experience of the pension systems, (2) the change in employer's proportionate share, and (3) the School's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the School's net pension liability.

E. Budgetary Process

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391 of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

F. Cash and Investments

To improve cash management, all cash received by the School is pooled in a central bank account. Monies for the School are maintained in this account or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with the original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

The School had no investments during fiscal year 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School maintains a capitalization threshold of $1,500. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	40 years
Furniture, fixtures and equipment	3 - 5 years
Leasehold improvements	15 years
Land improvements	15 years

H. Net Position

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

I. Intergovernmental Revenue

The School currently participates in the State Foundation, Special Education, Targeted Assistance, K-3 Literacy, Facilities, and Economic Disadvantaged Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2018 school year totaled $1,513,002

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. The School currently participates in the Federal Food Reimbursement, Title II-A, IDEA Part B and Title I-A programs. Federal and State grant revenue received during fiscal year 2018 was $355,577.

J. Accrued Liabilities and Long-Term Obligations

The School has recognized certain expenses due, but unpaid as of June 30, 2018. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Operating Revenues and Expenses

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

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

M. Estimates

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

N. Economic Dependency

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

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension 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 plans report investments at fair value.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School or the Sponsor and that are either unusual in nature or infrequent in occurrence. For fiscal year 2018, the School is reporting a special item related to the closing of the School.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES

Change in Accounting Principles

For fiscal year 2018, the School has implemented GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*", GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

NOTE 3 - CHANGES IN ACCOUNTING POLICIES - (Continued)

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 resulted in the elimination of several asset and liability line items and the presentation of a corresponding Special Item on the School's financial statements.

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the School's net deficit at beginning of year, as noted below.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

A net position restatement is required in order to implement GASB Statement No 75. The net deficit at July 1, 2017 has been restated as follows:

Net position (deficit) as previously reported	$ (1,074,735)
Deferred outflows - payments subsequent to measurement date	3,925
Net OPEB liability	(521,761)
Restated net position (deficit) at July 1, 2017	$ (1,592,571)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - DEPOSITS

At June 30, 2018, the carrying amount of all School deposits was $40,382. Based on the criteria described in GASB Statement No. 40, as of June 30, 2018, the entire bank balance of $110,288 was covered by the Federal Deposit Insurance Corporation (the "FDIC"). Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial credit risk beyond the requirements of State statute, however all statutory requirements for the deposit of money had been followed.

NOTE 5 - CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2018, follows:

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
Capital assets, being depreciated				
Leasehold Improvements	$ 295,453	$ -	$ (295,453)	$ -
Land Improvements	3,434	-	(3,434)	-
Furniture, fixtures and equipment	70,080	-	(70,080)	-
Total capital assets, being depreciated	368,967	-	(368,967)	-
Less: accumulated depreciation				
Leasehold Improvements	(44,831)	(19,697)	64,528	-
Land Improvements	(115)	(115)	230	-
Furniture, fixtures and equipment	(13,372)	(13,618)	26,990	-
Total accumulated depreciation	(58,318)	(33,430)	91,748	-
Total capital assets being depreciated, net	310,649	(33,430)	(277,219)	-
Total capital assets, net	$ 310,649	$ (33,430)	$ (277,219)	$ -

The School closed on June 30, 2018. The School actively disposed, sold, or donated the property owned by the School. These amounts are reported as inventory held for resale.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	Amount
Federal Food Service	$ 9,618
Title I A	5
Title IV A	1,533
Total intergovernmental receivables	$ 11,156

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

As a result of the implementation of GASB Statement No. 69, the School shows no net pension liability as of June 30, 2018.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced 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.

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was $31,751 for fiscal year 2018.

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $92,498 for fiscal year 2018.

NOTE 8 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

As a result of the implementation of GASB Statement No. 69, the School shows no net OPEB liability as of June 30, 2018.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2018, the School's surcharge obligation was $3,096.

NOTE 8 - DEFINED BENEFIT OPEB PLANS – (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no insurance settlements that exceeded insurance coverage in the last three years. In addition, there have been no significant reductions in insurance coverage from the prior year. For the fiscal year ended 2018, the School contracted with Cincinnati Insurance Company and had the following insurance coverage:

Coverages	Limits of Coverage
General Liability:	
Each Occurrence	$ 1,000,000
General Aggregate	2,000,000
Medical Expenses	5,000
Personal & Advertising Injury	1,000,000
Damages to Rented Premises, Per Occurrence	100,000
Products - Aggregate	2,000,000
Automobile Liability:	
Each Occurrence	1,000,000
Umbrella Liability	3,000,000

B. Workers' Compensation

The School 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 the State calculates.

NOTE 10 - FISCAL SERVICES / SPONSOR CONTRACT

A. Sponsor Contract

The School entered into a sponsorship contract commencing on July 1, 2017 and ending on June 30, 2018, with an automatic renewal for one year through June 30, 2018 with St. Aloysius Orphanage (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the School's compliance with the laws applicable to the School and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the School on at least an annual basis;
- Provide reasonable technical assistance to the School in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the School);
- Take steps to intervene in the School's operation to correct problems in the School's overall performance, declare the School to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the School experiences financial difficulties or losses before the end of the school year; and,
- Abide by the requirements of its contract with the Ohio Department of Education, even should those requirements affect the School.

The School paid St. Aloysius Orphanage $25,954 during the fiscal year ended June 30, 2018.

B. Service Contract

The School entered into a service contract with Charter School Specialists, LLC (CSS) for fiscal year 2018 to provide fiscal, payroll and Comprehensive Continuous Planning consulting services. The School paid CSS $26,728 in service fees for fiscal year 2018.

NOTE 11 - CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2018.

B. Litigation

The School is not involved in litigation that, in the opinion of management, would have material effect on the financial statements.

NOTE 11 - CONTINGENCIES - (Continued)

C. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2018.

NOTE 12 - OPERATING LEASES

In March 2014, the School entered into an operating lease agreement with the Galaxy Corporate Center LLC to lease the property located at 4901 Galaxy Parkway, Suite A. The initial lease term commenced July 1, 2014 and ends on August 31, 2021. The School made $112,819 in operating lease payments during fiscal year 2018.

NOTE 13 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During the year, the School entered into a capital lease for playground equipment. Principal payments made totaled $6,478 for fiscal year 2018. The school wrote-off the remaining balance of the lease of $32,585 as part of the special item due to the School closure at June 30, 2018.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during the year consist of the following:

	(Restated) Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Amounts Due in One Year
Governmental activities:					
Net pension liability	$ 2,583,313	$ -	$ (2,583,313)	$ -	$ -
Net OPEB liability	521,761	-	(521,761)	-	-
Capital lease obligation	39,063	-	(39,063)	-	-
Total governmental activities long-term liabilities	$ 3,144,137	$ -	$ (3,144,137)	$ -	$ -

See Note 7 for details on the net pension liability.

See Note 8 for details on the net OPEB liability.

See Note 13 for details on capital lease obligations.

NOTE 15 - PURCHASED SERVICES

Purchased services include the following:

Professional and technical	$ 192,923
Facilities	149,859
Travel/Meetings	9,099
Communications	9,976
Utilities	27,828
Food	90,084
Transportation	96,008
Total purchased services	$ 575,777

NOTE 16 - FEDERAL TAX STATUS

The School is tax exempt under § 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

NOTE 17 – SPECIAL ITEM – SCHOOL CLOSURE

The School officially closed on June 30, 2018 based on a resolution passed by the Board on March 1, 2018. The School has followed the closing procedures prescribed by ODE. These procedures include, among others, official notification to ODE, retirement systems, the students and community, disposition of assets, and the preparation of financial statements.

The School reclassified remaining capital assets to assets held for resale and subsequently disposed of the assets. The School will not have any remaining cash after final expenses are paid. The bank accounts will be closed.

The School is reporting a special item directly related to the closure. Capital assets no longer being used were sold, donated, or disposed of in accordance with the community school closure process set up by ODE. A summary of the principal items included in the special item on the statement of revenues, expenses and changes in net position follows:

Gain on GASB 68 write-off	$ 1,285,925
Gain on GASB 75 write-off	517,836
Gain on capital lease write-off	32,585
Capital asset disposals	(272,443)
Total special item	$ 1,563,903

NOTE 18 – SUBSEQUENT ACTIVITY

The activity of the School for the period July 1, 2018 through January 10, 2020 is summarized in the following table:

Revenue:		
State Foundation	$	53,511
Federal and State Grants		16,216
Other Revenue		6,923
Total Revenue		76,650
Expenses:		
Fringe Benefits		1,497
Purchased Services		91,347
Supplies and Materials		3,655
Miscellaneous		20,533
Total Expenses		117,032
Change in Cash Fund Balances		(40,382)
Cash Fund Balances, July 1, 2018		40,382
Cash Fund Balances, January 10, 2020	$	-

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.00710020%	0.00632930%	0.00433910%	0.00351700%	0.00351700%
School's proportionate share of the net pension liability	$ -	$ 463,246	$ 247,593	$ 177,993	$ 209,145
School's covered payroll	$ 216,793	$ 218,479	$ 130,630	$ 102,186	$ 117,182
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	212.03%	189.54%	174.19%	178.48%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	62.98%	69.16%	71.70%	65.52%

* The School closed at the end of fiscal year 2018 and implemented GASB 69. As a result, there is no net pension liability reported.

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.00708520%	0.00633366%	0.00543328%	0.00372331%	0.00372331%
School's proportionate share of the net pension liability	$ -	$ 2,120,067	$ 1,501,600	$ 905,635	$ 1,078,790
School's covered payroll	$ 905,814	$ 639,686	$ 602,236	$ 380,423	$ 191,577
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	331.42%	249.34%	238.06%	563.11%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

* The School closed at the end of fiscal year 2018 and implemented GASB 69. As a result, there is no net pension liability reported.

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 31,751	$ 30,351	$ 30,587	$ 17,217
Contributions in relation to the contractually required contribution	(31,751)	(30,351)	(30,587)	(17,217)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ 235,193	$ 216,793	$ 218,479	$ 130,630
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013
	$ 14,163	$ 16,218
	(14,163)	(16,218)
	$ -	$ -
	$ 102,186	$ 117,182
	13.86%	13.84%

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 92,498	$ 126,814	$ 89,556	$ 84,313
Contributions in relation to the contractually required contribution	(92,798)	(126,814)	(89,556)	(84,313)
Contribution deficiency (excess)	$ (300)	$ -	$ -	$ -
School's covered payroll	$ 660,700	$ 905,814	$ 639,686	$ 602,236
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013
	$ 49,455	$ 24,905
	(49,455)	(24,905)
	$ -	$ -
	$ 380,423	$ 191,577
	13.00%	13.00%

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	**2017**
School's proportion of the net OPEB liability	0.00720470%	0.00642144%
School's proportionate share of the net OPEB liability	$ -	$ 183,035
School's covered payroll	$ 216,793	$ 218,479
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	83.78%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

* The School closed at the end of fiscal year 2018 and implemented GASB 69. As a result, there is no net OPEB liability reported.

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
School's proportion of the net OPEB liability	0.00708522%	0.00633366%
School's proportionate share of the net OPEB liability	$ -	$ 338,726
School's covered payroll	$ 905,814	$ 639,686
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	52.95%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

* The School closed at the end of fiscal year 2018 and implemented GASB 69. As a result, there is no net OPEB liability reported.

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 4,272	$ 3,925	$ 3,281	$ 3,394
Contributions in relation to the contractually required contribution	(4,272)	(3,925)	(3,281)	(3,394)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ 235,193	$ 216,793	$ 218,479	$ 130,630
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.82%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013
$ 161	$ 187
(161)	(187)
$ -	$ -
$ 102,186	$ 117,182
0.14%	0.16%

THE HALEY SCHOOL
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ 660,700	$ 905,814	$ 639,686	$ 602,236
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013
	$ 3,627	$ 1,916
	(3,627)	(1,916)
	$ -	$ -
	$ 380,423	$ 191,577
	1.00%	1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) 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, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

The Haley School
Cuyahoga County

St. Aloysius Orphanage
School Sponsor
Hamilton County
4721 Reading Road
Cincinnati, Ohio 45237

To the Board of Directors and Sponsor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of The Haley School, Cuyahoga County, (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 24, 2020, wherein we noted the School adopted accounting guidance in Governmental Accounting Standards Board (GASB) Statements No. 69, *Government Combinations and Disposals of Government Operations*, and 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* In addition, we noted the School closed on June 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

School's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the School's responses to the auditing procedures applied in the audit 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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

January 24, 2020

SCHEDULE OF FINDINGS
JUNE 30, 2018

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

FINDING NUMBER 2018-001

SCHOOL CLOSEOUT PROCEDURES

NONCOMPLIANCE

Ohio Rev. Code § 3314.44 states if a community school established under this chapter closes for any reason, the chief administrative officer of the school at the time the school closes shall in good faith take all reasonable steps necessary to collect and assemble in an orderly manner the educational records of each student who is or has been enrolled in the school so that those records may be transmitted in accordance with this division. The chief administrative officer shall transmit the records within seven business days of the school closing to the student's school district of residence.

Community School: School Suspension and/or School Closing Procedures and provisions of Ohio Rev. Code § 3313.41 (A) require the community school governing authority's treasurer or fiscal officer, or sponsor in the absence of the governing authority, must notify the Office of Community Schools and then the public media (print, media, radio) of the date, time and location of the property disposition auction. Notification shall take place within 30 days notice of suspension or closure.

Community School: School Suspension and/or School Closing Procedures require dissolved community schools to notify the Secretary of State and the Internal Revenue Service of their closure.

Near or upon the School’s closure, the following required actions were not taken:

- The School did not transmit all student records to resident districts within seven days of the School’s closure, with record deliveries ranging from 39 to 101 days after the School’s closure date;
- The School held an auction for its remaining assets near the closure of the School, but provided no evidence of the notification of the auction; and
- The School did not notify either the Secretary of State’s Office nor the Internal Revenue Service of its dissolution.

Failure to complete all necessary procedures can result in errors or omissions in future activities for both the disposition of the School and its students. This matter will be referred to the Ohio Department of Education.

Official’s Response: The School's former management failed to provide student documentation within seven days, and the Sponsor and fiscal services company had to step in and organize records and distribute subsequently. The School's former management set up the auction of assets, but failed to keep documentation of the notification. The School's prior legal counsel advised the School that it was not required to notify the Secretary of State of Internal Revenue Service of its dissolution.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002

CONDITION OF STUDENT RECORDS

NONCOMPLIANCE

Ohio Rev. Code § 149.43 (B) requires entities to maintain public records in a manner in which they can be made available for inspection.

Ohio Rev. Code § 3314.08 (B) requires the governing authority of a community school to report annually the number of students enrolled in grades one through twelve and the number of students enrolled in kindergarten in the school.

The School did not maintain complete and accurate records of student attendance during fiscal year 2018. Additionally, three of five student files for newly enrolled students and three of five student files for withdrawn students could not be located.

Official's Response: The School's former management failed to follow inventory, labeling and boxing guidelines provided by the School's sponsor and fiscal services company, resulting in the issues noted above. The Sponsor will again review the attendance records that were provided by the School's former management, but it is unlikely that there is any additional documentation.

FINDING NUMBER 2018-003

FINANCIAL REPORTING

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The School did not properly implement GASB Statement No. 75, resulting in an overstatement of the Net deficit at beginning of year and understatement of the Special item totaling $517,836. The lack of controls over financial reporting resulted in the above errors that required the School to make adjustments to its original financial report.

Official's Response: Given the various applicable financial statement line items and net position (deficit) end of year balance would not be effected, the School felt it unnecessary to implement GASB Statement No. 75 in this manner. However, the School has agreed to make the necessary adjustments to the financial statements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Reporting regarding pension balances and cash flows	Fully Corrected	Implementation of Governmental Accounting Standards Board Statement No. 69 alleviated these issues.

THE HALEY SCHOOL
"Partnering with parents for academic success!"
4901 GALAXY PARKWAY
WARRENSVILLE HEIGHTS, OH 44128
PH (216) 591-9190 FAX (216) 510-5732
WWW.THEHALEYSCHOOL.COM

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

THE HALEY SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 6, 2020

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