MIDDLEBURY PREPARATORY ACADEMY

SUMMIT COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2020

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
Middlebury Preparatory Academy
88 Kent Street
Akron, Ohio 44305

We have reviewed the *Independent Auditor's Report* of the Middlebury Preparatory Academy, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 05, 2021

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MIDDLEBURY PREPARATORY ACADEMY
SUMMIT COUNTY
REGULAR AUDIT
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Middlebury Preparatory Academy
Summit County
88 Kent Street
Akron, Ohio 44305

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Middlebury Preparatory Academy, Summit County, Ohio (the School), as of and for the year ended June 30, 2020, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middlebury Preparatory Academy, Summit County, Ohio, as of June 30, 2020, and the changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
January 8, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

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

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

Financial Highlights

- In total, net position decreased $170,832 which represents an 8% decrease from 2019. The decrease is primarily due to decrease in state aid from the decrease in student enrollments and increases in pension/OPEB expenses.

- Total assets decreased $3,904, which represents a 1% percent decrease from 2019. This was primarily due to the decrease in net capital assets.

- Liabilities increased $571,344, which represents a 26% percent increase from 2019. The increase in liabilities is a direct result of changes in the net pension/OPEB liabilities related to accruals under GASB 68 and 75.

Using this Financial Report

This report consists of three parts: required supplementary information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2020. This statement includes all assets, deferred outflows of resources, deferred inflows of resources, and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net position as of June 30, 2020 and 2019.

(Table 1)
Statement of Net Position

	2020	2019
Assets		
Current Assets	$ 127,207	$ 138,706
Non-Current Assets	116,160	77,536
Capital Assets, Net	64,340	95,369
Total Assets	307,707	311,611
Deferred Outflows of Resources		
Pension Requirements	707,380	531,578
OPEB	128,634	88178
Total Deferred Outflows of Resources	836,014	619,756
Liabilities		
Current Liabilities	455,032	435,659
Long Term Liabilities	2,307,777	1,755,806
Total Liabilities	2,762,809	2,191,465
Deferred Inflows of Resources		
Pension Requirements	502,493	741,116
OPEB	301,313	250,848
Total Deferred Inflows of Resources	803,806	991,964
Net Position		
Net Investment in Capital Assets	61,652	90,431
Unrestricted	(2,484,546)	(2,342,493)
Total Net Position	$ (2,422,894)	$ (2,252,062)

Total assets decreased $3,904, which represents a 1 percent decrease from 2019. This was primarily due to the decrease in net capital assets. Liabilities increased $571,344, which represents a 26 percent increase from 2019. The increase in liabilities is a direct result of changes in the net pension/OPEB liabilities related to accruals under GASB 68 and 75. In total, net position decreased $170,832 from 2019 net position. The decrease is primarily due to the decrease in state aid revenues and increase in pension/OPEB expense.

Statement of Revenues, Expenses, and Changes in Net Position

Table 2 shows the changes in net position for fiscal years 2020 and 2019, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

(Table 2)
Change in Net Position

	2020	2019
Operating Revenue		
State Aid	$ 1,691,869	$ 2,140,212
Casino Aid	12,252	11,891
Non-Operating Revenue		
Grants	528,268	492,564
Miscellaneous	4,589	8,618
Interest Income	-	423
Total Revenues	2,236,978	2,653,708
Operating Expense		
Purchased Services: Salaries and Benefits	1,006,260	1,197,011
Purchased Services: Management Fees	317,150	384,338
Pension and OPEB Expense	242,763	(132,755)
Instructional Services	171,214	175,455
Sponsorship Fees	49,211	62,742
Legal	35,613	71,341
Auditing and Accounting	39,371	48,531
Other Professional Services	149,201	126,231
Other Purchased Services	245,730	397,629
Supplies	86,915	80,268
Depreciation	31,029	46,424
Furniture, Fixtures, and Equipment	-	13,605
Other Operating Expenses	32,076	5,026
Non-Operating Expenses		
Interest and Fiscal Charges	1,277	1,658
Total Expenses	2,407,810	2,477,504
Change in Net Position	$ (170,832)	$ 176,204

The primary reason for the decrease in overall revenues from 2019 was the decrease in FTE of 49 from the prior year. Two of the School's most significant expenses, "Purchased Services: Salaries and Benefits" and "Purchased Services: Management Fees", decreased because of the management agreement in place between the School and Forrester and the calculation of such fees based on the state aid received. The agreement provides that specific percentages of the revenues received by the School will be paid to Forrester to fund operations (see the Notes to the Basic Financial Statements, Note 7). These decreases were offset by the increase in the Pension/OPEB expenses related to the changes in related pension/OPEB accruals.

The School has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and 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 School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/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 OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of these 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 asset/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 asset/liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School's statements 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.

Over time, net position can serve as a useful indicator of a governments financial position. At June 30, 2020, the School's net position totaled ($2,422,894).

Capital Assets

At the end of fiscal year 2020, the School had $64,340 invested in capital assets, which represented a decrease of $31,029 from 2019. Table 3 shows the changes in Capital Assets below.

(Table 3)
Capital Assets (Net of Depreciation)

	2020	2019
Leasehold Improvements	$ -	$ 2,386
Furniture and Equipment	64,340	92,983
Total Capital Assets, Net	$ 64,340	$ 95,369

For more information on capital assets, see Note 5 in the Notes to the Basic Financial Statements.

Current Financial Issues

Middlebury Preparatory Academy received revenue for 206 students in 2020 (a decrease from 2019 of 49). State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged $8,510 in fiscal year 2020. The School receives additional revenues in the form of grant subsidies. During June 2020, the ODE reduced per pupil funding by $88.76 as a result of the State of Ohio emergency declaration and COVID19 pandemic. The School continually evaluates the extent of the impact that changes in State funding will have on current year operations.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact C. David Massa, Fiscal Officer for the Middlebury Preparatory Academy, 219 E. Maple St., North Canton, Ohio 44720 or e-mail at dave@massasolutionsllc.com.

MIDDLEBURY PREPARATORY ACADEMY
SUMMIT COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 46,994
Grants Receivable	75,900
Other Receivable	2,080
Intergovernmental Receivable	2,233
Total Current Assets	127,207
Non-Current Assets	
Leasehold Deposits	10,250
Net OPEB Asset	105,910
Depreciable Capital Assets, net	64,340
Total Non-Current Assets	180,500
Total Assets	307,707
DEFERRED OUTFLOWS OF RESOURCES	
Pension Requirements	707,380
OPEB	128,634
Total Deferred Outflows of Resources	836,014
LIABILITIES	
Current Liabilities:	
Accounts Payable	174,271
Continuing Fees Payable	278,073
Capital Lease Payable	2,688
Total Current Liabilities	455,032
Long-Term Liabilities:	
Net Pension Liability	2,038,337
Net OPEB Liability	269,440
Total Long-Term Liabilities	2,307,777
Total Liabilities	2,762,809
DEFERRED INFLOWS OF RESOURCES	
Pension Requirements	502,493
OPEB	301,313
Total Deferred Inflows	803,806
NET POSITION	
Net Investment in Capital Assets	61,652
Unrestricted	(2,484,546)
Total Net Position	$ (2,422,894)

See accompanying notes to the basic financial statements

MIDDLEBURY PREPARATORY ACADEMY
SUMMIT COUNTY, OHIO

STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
State Aid	$ 1,691,869
Casino Aid	12,252
Total Operating Revenues	1,704,121
OPERATING EXPENSES	
Purchased Services: Salaries and Benefits	1,006,260
Purchased Services: Management Fees	317,150
Pension and OPEB Expense	242,763
Instructional Services	171,214
Sponsorship Fees	49,211
Legal	35,613
Auditing and Accounting	39,371
Other Professional Services	149,201
Other Purchased Services	245,730
Supplies	86,915
Depreciation	31,029
Other Operating Expenses	32,076
Total Operating Expenses	2,406,533
Operating Loss	(702,412)
NON-OPERATING REVENUE/(EXPENSES)	
Grants	528,268
Interest and Fiscal Charges	(1,277)
Miscellaneous Non-Operating Revenue	4,589
Total Non-Operating Revenue/(Expenses)	531,580
Change in Net Position	(170,832)
Net Position Beginning of Year	(2,252,062)
Net Position End of Year	$ (2,422,894)

See accompanying notes to the basic financial statements

MIDDLEBURY PREPARATORY ACADEMY
SUMMIT COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from State of Ohio	$ 1,659,451
Cash Payments to Suppliers for Goods and Services	(2,204,594)
Net Cash Used for Operating Activities	(545,143)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Cash Receipts	4,589
Cash Received from Grants	518,541
Net Cash Provided by Noncapital Financing Activities	523,130
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Cash Payments for Interest and Fiscal Charges	(1,277)
Cash Payments for Principal Payments on Capital Leases	(2,250)
Net Cash Used for Capital Financing Activities	(3,527)
Net Decrease in Cash and Cash Equivalents	(25,540)
Cash and Cash Equivalents Beginning of Year	72,534
Cash and Cash Equivalents End of Year	$ 46,994
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	$ (702,412)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	31,029
Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:	
Intergovernmental Receivable	(2,788)
Other Receivable	(1,525)
Net OPEB Asset	(38,624)
State Funding Payable	(1,732)
Accounts Payable	152,446
Retirement Payable	(7,583)
Continuing Fees Payable	(124,196)
Net Pension/OPEB Liability	554,658
Deferred Outflows-Pension/OPEB	(216,258)
Deferred Inflows-Pension/OPEB	(188,158)
Net Cash Used for Operating Activities	$ (545,143)

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Middlebury Preparatory Academy (the School) is a tax exempt 501(c)(3), state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School changed its name from HOPE Academy University Campus in July 2013.

The School contracted with Oakmont Education, LLC, an Ohio limited liability company, for most of its functions and is the entity with which the School's board interacts regarding day-to-day operations (see Note 7). Effective July 1, 2019 the School and Oakmont agreed to assign the management agreement to Forrester Education, LLC for the remainder of the contract term.

Effective July 1, 2020, the School signed a five-year contract with Entrepreneurial Ventures in Education (EVE) to oversee the operations of the School. This contract is in effect from July 1, 2020 through June 30, 2025.

The School signed a contract with Saint Aloysius Orphanage (Sponsor), to operate for the period of July 1, 2020 through June 30, 2025.

The School operates under a self-appointing Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by Forrester, who provide services to 206 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

The Government Accounting Standards Board identifies the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, deferred inflows of resources, and all liabilities are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budgetary Process

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

Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. The School did not have any investments during the period ended June 30, 2020.

Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of $5,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation, of $64,340. Depreciation is computed by the straight-line method over five years for “Furniture and Equipment” and five to twenty years for “Leasehold Improvements.”

Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, which are reflected under “State Aid” on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2020 school year totaled $2,232,389.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Compensated Absences

Vacation is taken in a manner which corresponds with the School calendar; therefore, the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

Accrued Liabilities and Long-term Obligations

Obligations incurred but unpaid at June 30, 2020, are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of $174,271, continuing fees payable of $278,073 at June 30, 2020. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. See notes 8 and 9.

Net Position

Net Position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions and Other Post Employment Benefits

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

Deferred Outflows/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 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 are reported on the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Note 8 and 9.

In addition to liabilities, the statements of financial 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 that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position (see Note 8 and 9).

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all School deposits was $46,944 and its bank balance was $46,994. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, All of the School's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

4. RECEIVABLES / PAYABLES

The School has recorded "Grants Funding Receivable" in the amount of $75,900 not received as of June 30, 2020. The School also has "Other Receivables" and "Intergovernmental Receivables" of $2,080 and $2,233, respectively at June 30, 2020.

Accounts Payable consists of obligations totaling $174,271 at June 30, 2020, incurred during the normal course of conducting operations.

Under the terms of the former management agreements, the School has recorded liabilities to WHLS in the amount of $173,021 for 100 percent of any State and Federal grant monies uncollected or unpaid to WHLS and Cambridge Education of $101,548 as of June 30, 2020.

5. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2020, the School's capital assets consisted of the following:

	Balance 06/30/19	Additions	Deletions	Balance 06/30/20
Capital Assets:				
Furniture and Equipment	$ 283,251	$ -	$(58,907)	$ 224,344
Leasehold Improvements	147,289	-	-	147,289
Total Capital Assets	430,540	-	(58,907)	371,633
Less Accumulated Depreciation:				
Furniture and Equipment	(190,268)	(28,643)	58,907	(160,004)
Leasehold Improvements	(144,903)	(2,386)	-	(147,289)
Total Accumulated Depreciation	(335,171)	(31,029)	58,907	(307,293)
Capital Assets, Net	$ 95,369	$ (31,029)	$ -	$ 64,340

6. RISK MANAGEMENT

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

Director and Officer - Coverage has been purchased by the School with a $1,000,000 aggregate limit and a $2,500 deductible.

7. AGREEMENT WITH FORRESTER EDUCATION, LLC

Effective July 1, 2013, the School entered into a multi-year Management Agreement (Agreement) with Midwest Education Partners, LLC, a Florida limited liability company dba Cambridge Education Partners, LLC (Cambridge), which is an educational consulting and management company. The Agreement's term was through June 30, 2016. Effective July1, 2018 the School agreed to assign the Agreement with Cambridge to Oakmont Education, LLC for the remainder of the term of the Agreement. Effective July 1, 2019, the School and Oakmont agreed to assign the management agreement to Forrester Education, LLC for the remainder of the term. Substantially most functions of the School have been contracted to Forrester. Thereafter, the agreement will automatically renew for additional successive three (3) year terms. Substantially most functions of the School have been contracted to Forrester. Forrester is responsible and accountable to the School's Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 16 percent.

7. AGREEMENT WITH FORRESTER EDUCATION, LLC (continued)

"Continuing Fees" are defined in the Agreement as the Schools Qualified Gross Revenues, "…the revenue per student received by the School from the State of Ohio Department of Education pursuant to Title 33 and other provisions of the Ohio Revised Code…". With regard to grant funding, the agreement reads as follows: "Federal Title Programs, lunch programs revenue, and other such federal, state and local government grant funding designated to compensate the school for the education of its students shall be maintained by the School." Qualified Gross Revenue does not include facilities funding from any source, charitable contributions, proceeds from fundraisers, casino revenue, or fees charged to students. The continuing fee is paid to Forrester based on the previous month's qualified gross revenues.

The Board shall be responsible for paying fees to its Authorizer pursuant to the Charter plus its own directors and officers insurance, Facility payments, the Board's other contractual obligations, if any, and its own legal ,accounting, auditing and professional fees. Pursuant to Ohio law, the State Teachers Retirement System ("STRS") and School Employees Retirement System ("SERS") contributions on behalf of the employees employed at the School will be withheld by the State of Ohio.

The School had purchased service expenses for the year ended June 30, 2020, to Forrester of $1,323,410, payables to Forrester of $162,325 at June 30, 2020. Forrester is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, maintenance, capital, and insurance.

On February 17, 2020, the School and Forrester agreed to terminate the management agreement effective June 30, 2020.

Effective July 1, 2020, the School entered into a five year management agreement with Entrepreneurial Ventures in Education (EVE) to operate the School from July 1, 2020 through June 30, 2025.

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in continuing fees payable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – the School non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits 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.

8. DEFINED BENEFIT PENSION PLANS (continued)

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 65 with 5 years of service credit	Age 57 with 30 years of service credit
Actuarially Reduced	Age 60 with 5 years of service credit	Age 62 with 10 years of service credit; or
Benefits	Age 55 with 25 years of service credit	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 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.

The cost-of living adjustment (COLA) is based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District 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 the entire 14.0 percent.

The School's contractually required contribution to SERS was $25,550 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The School's 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.

8. DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying servicer credit and age 60, or 30 years or service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. 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 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 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 School 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 School's contractually required contribution to STRS was $101,930 for fiscal year 2020.

8. DEFINED BENEFIT PENSION PLANS (continued)

Pension Liabilities, 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 School's employer allocation percentage 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.00972950%	0.00418733%	
Proportion of the Net Pension Liability Current Measurement Date	0.01043290%	0.00639456%	
Change in Proportionate Share	0.00070340%	0.00220723%	
Proportionate Share of the Net Pension Liability	$ 624,219	$ 1,414,118	$ 2,038,337
Pension Expense	$ 118,598	$ 154,869	$ 273,467

8. DEFINED BENEFIT PENSION PLANS (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 15,830	$ 11,513	$ 27,343
Changes of assumptions	-	166,115	166,115
Changes in proportion and differences between contributions and proportionate share of contributions	53,585	332,857	386,442
School contributions subsequent to the measurement date	25,550	101,930	127,480
Total Deferred Outflows of Resources	$ 94,965	$ 612,325	$ 707,380
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 6,121	$ 6,121
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	8,016	69,115	77,131
Changes in proportion and differences between contributions and proportionate share of contributions	9,424	409,817	419,241
Total Deferred Inflows of Resources	$ 17,440	$ 485,053	$ 502,493

$127,480 reported as deferred outflows of resources related to pension resulting from the School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	$ 54,401	$ (18,485)	$ 35,916
2022	(6,436)	(74,880)	(81,316)
2023	(535)	27,135	26,600
2024	4,545	91,572	96,117
Total	$ 51,975	$ 25,342	$ 77,317

8. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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 pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan 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.

8. DEFINED BENEFIT PENSION PLANS (continued)

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment 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 pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$ 874,754	$ 624,219	$ 414,114

8. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's 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.

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

8. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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 member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of* the *School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	$ 2,066,577	$ 1,414,118	$ 861,779

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS

Net OPEB Liability/Asset

The net OPEB liability and net OPEB asset reported on the statement of net position represents a liability or asset to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability and net OPEB asset. Resulting adjustments to the net OPEB liability and net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in continuing fees payable.

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.

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, there was no contribution made to health care. A 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 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.

The surcharge is the total amount assigned to the Health Care Fund. The School contractually required contribution to SERS was $3,665 for fiscal year 2020.

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, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and net OPEB asset were measured as of June 30, 2019, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability and net OPEB asset were based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.00991950%	0.00418733%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	0.01071420%	0.00639456%	
Change in Proportionate Share	0.00079470%	0.00220723%	
Proportionate Share of the Net OPEB			
Liability/(asset)	$ 269,440	$ (105,910)	$ 163,530
OPEB Expense	$ 23,024	$ (53,728)	$ (30,704)

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

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 3,955	$ 9,603	$ 13,558
Changes of assumptions	19,680	2,226	21,906
Net difference between projected and actual earnings on OPEB plan investments	647	-	647
Changes in proportion and differences between contributions and proportionate share of contributions	76,142	12,716	88,858
School contributions subsequent to the measurement date	3,665	-	3,665
Total Deferred Outflows of Resources	$ 104,089	$ 24,545	$ 128,634
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 59,194	$ 5,388	$ 64,582
Changes of assumptions	15,099	116,115	131,214
Net difference between projected and actual earnings on OPEB plan investments	-	6,652	6,652
Changes in proportion and differences between contributions and proportionate share of contributions	207	98,658	98,865
Total Deferred Inflows of Resources	$ 74,500	$ 226,813	$ 301,313

$3,665 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability and net OPEB asset in the 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:

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 647	$ (46,581)	$ (45,934)
2021	8,369	(46,581)	(38,212)
2022	8,557	(43,916)	(35,359)
2023	8,529	(42,974)	(34,445)
2024	1,427	(24,644)	(23,217)
Thereafter	(1,605)	2,428	823
Total	$ 25,924	$ (202,268)	$ (176,344)

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.

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

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

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

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

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

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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 Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The 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 System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of* the *School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School's proportionate share of the net OPEB liability	$ 215,876	$ 269,440	$ 340,506

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School's proportionate share of the net OPEB liability	$ 327,049	$ 269,440	$ 223,634

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	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends		
Medical		
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 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.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

Benefit Term Changes Since the Prior Measurement Date Claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of services. The Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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.

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

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2019.

9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

Sensitivity of* the *School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 4.13 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 (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	$ 88,070	$ 105,910	$ 115,095

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	$ 114,399	$ 105,910	$ 90,928

10. CONTINGENCIES

Grants

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

Full Time Equivalency

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.

As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

10. CONTINGENCIES (continued)

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2020 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

Litigation

In February 2009, the School Filed a Lawsuit against the WHLS and its affiliates for matters related to the management agreement. The effect of this lawsuit is presently not determinable.

11. SPONSORSHIP FEES

The School contracted with Saint Aloysius Orphanage (SAO) as its sponsor effective July 1, 2012. In June of 2016, the School extended the agreement through 2020. In May of 2020, the School extended the agreement through 2025. The Sponsor provides oversight, monitoring, and technical assistance for the School. The School will pay SAO three percent of State Aid as its sponsorship fee in fiscal year 2020. Total fees for fiscal year 2020 were $49,211.

12. TAX EXEMPT STATUS

The School was approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization.

13. LEASE DEPOSIT

The School entered into a facility lease agreement during 2015 with Roman Catholic Diocese of Cleveland. The term of the lease is for five years expiring June 2021, at $10,250 per month. The School paid a lease deposit of $10,250 to secure the facility. Total payments made during 2020 were $123,000. In January 2019, the School and Diocese agreed to the first amendment of the lease for the payment of $1,300/month beginning January 2019 through the end of the lease term, June 2021.

14. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2020, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Lease*

15. CAPITAL LEASE

For the year ended June 30, 2020, the School's capital leases consisted of the following:

Capital Lease	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020	Due in One Year
Copier	$ 4,938	$ -	$ (2,250)	$ 2,688	$ 2,688
Total Lease Activity	$ 4,938	$ -	$ (2,250)	$ 2,688	$ 2,688

Copiers are recorded as Equipment (see Note 5) of $31,718 with accumulated depreciation of $28,475. The School paid $1,883 in principal and $1,072 in interest for the fiscal year ended June 30, 2020.

Fiscal Year		Capital Lease
2021		$ 2,956
	Total	2,956
Less: Amount Representing Interest		(268)
Present Value of minimum payments		$ 2,688

16. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2020, Forrester Education, LLC and its affiliates incurred the following expenses on behalf of the School:

	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Other Instruction (1400 and 1900 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
Direct expenses:						
Salaries & wages (100 object codes)	$ 468,893	$ 116,570	$ 115,519	$ 200,379	$ -	$ 901,361
Employees' benefits (200 object codes)	63,500	12,680	16,577	12,627	-	105,384
Professional & technical services (410 object codes)	-	-	-	-	22,832	22,832
Property services (420 object codes)	-	-	-	321	-	321
Supplies (500 object codes)	321	-	-	-	5,771	6,092
Other direct costs (All other object codes)	-	-	-	-	6,893	6,893
Overhead	-	-	-	105,717	38,737	144,454
Total expenses	**$ 532,714**	**$ 129,250**	**$ 132,096**	**$ 319,044**	**$ 74,233**	**$ 1,187,337**

Forrester charges expenses benefiting more than one school (i.e., overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2020 by each school it manages. Employee Benefits do not include pension expenses. Under the management agreement with the School, the School is responsible for pension expenses for direct school staff.

17. MANAGEMENT'S PLAN REGARDING DEFICIT NET POSITION

For fiscal year 2020, the School had a decrease in net position of $170,832, and a cumulative net position deficit of $(2,422,894). The deficit net position includes the effect of the net pension liability, net OPEB liability and related accruals totaling $2,169,659.

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.

On February 17, 2020, the School and Forrester agreed to terminate the management agreement effective June 30, 2020.

Effective July 1, 2020, the School entered into a five-year management agreement with Entrepreneurial Ventures in Education (EVE) to operate the School from July 1, 2020 through June 30, 2025.

18. SUBSEQUENT EVENT

The financial impact of COVID-19 and the ensuing measures may impact subsequent periods of the School. The impact on the School's future operating costs, revenues and any recovery from emergency funding, either federal or state, cannot be estimated.

Middlebury Preparatory Academy
Summit County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

School Employees Retirement System (SERS)

	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0104329%	0.0097295%	0.0070329%	0.0077668%	0.0125199%	0.016420%	0.016420%
School's Proportionate Share of the Net Pension Liability	$ 624,219	$ 557,226	$ 420,200	$ 568,458	$ 714,398	$ 538,586	$ 632,846
School's Covered Payroll	$ 353,667	$ 327,815	$ 223,414	$ 612,514	$ 594,689	$ 431,176	$ 338,757
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	176.50%	169.98%	188.08%	92.81%	120.13%	124.91%	186.81%
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%

School Teachers Retirement System (STRS)

	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00639456%	0.00418733%	0.00542805%	0.00761723%	0.00789537%	0.00680136%	0.00680136%
School's Proportionate Share of the Net Pension Liability	$ 1,414,118	$ 920,699	$ 1,289,445	$ 2,549,716	$ 2,182,049	$ 1,654,326	$ 1,970,622
School's Covered Payroll	$ 716,814	$ 618,950	$ 598,321	$ 860,764	$ 806,657	$ 861,577	$ 906,008
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	197.28%	148.75%	215.51%	296.22%	270.51%	192.01%	217.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

Middlebury Preparatory Academy
Summit County, Ohio
Required Supplementary Information
Schedule of School Contributions - Pension
Last Ten Fiscal Years

School Employees Retirement System (SERS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 25,550	$ 47,745	$ 44,255	$ 31,278	$ 85,752	$ 78,380	$ 59,761	$ 46,884	$ 42,989	$ 35,580
Contributions in Relation to the Contractually Required Contribution	(25,550)	(47,745)	(44,255)	(31,278)	(85,752)	(78,380)	(59,761)	(46,884)	(42,989)	(35,580)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ 182,500	$ 353,667	$ 327,815	$ 223,414	$ 612,514	$ 594,689	$ 431,176	$ 338,757	$ 319,621	$ 283,055
Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

School Teachers Retirement System (STRS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 101,930	$ 100,354	$ 86,653	$ 83,765	$ 120,507	$ 112,932	$ 112,005	$ 117,781	$ 113,330	$ 120,240
Contributions in Relation to the Contractually Required Contribution	(101,930)	(100,354)	(86,653)	(83,765)	(120,507)	(112,932)	(112,005)	(117,781)	(113,330)	(120,240)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ 728,071	$ 716,814	$ 618,950	$ 598,321	$ 860,764	$ 806,657	$ 861,577	$ 906,008	$ 871,769	$ 924,923
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

Middlebury Preparatory Academy
Summit County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability
Last Four Fiscal Years (1)

School Employees Retirement System (SERS)

	2020	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.0107142%	0.0099195%	0.0071236%	0.0070404%
School's Proportionate Share of the Net OPEB Liability	$ 269,440	$ 275,194	$ 191,179	$ 200,679
School's Covered Payroll	$ 353,667	$ 327,814	$ 223,414	$ 612,514
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.18%	83.95%	85.57%	32.76%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

Middlebury Preparatory Academy
Summit County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Asset
Last Four Fiscal Years (1)

School Teachers Retirement System (STRS)

	2020	2019	2018	2017
School's Proportion of the Net OPEB Liability/Asset	0.00639456%	0.00418733%	0.00511779%	0.00744190%
School's Proportionate Share of the Net OPEB Liability/(Asset)	$ (105,910)	$ (67,286)	$ 199,677	$ 397,995
School's Covered Payroll	$ 716,814	$ 446,671	$ 598,321	$ 860,764
School's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.78%	-15.06%	33.37%	46.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	174.74%	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

Middlebury Preparatory Academy
Summit County, Ohio
Required Supplementary Information
Schedule of School Contributions - OPEB
Last Ten Fiscal Years

School Employees Retirement System (SERS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution (1)	$ 3,665	$ 8,413	$ 3,822	$ -	$ -	$ 5,826	$ 10,578	$ 5,423	$ 8,605	$ 2,151
Contributions in Relation to the Contractually Required Contribution	(3,665)	(8,413)	(3,822)	-	-	(5,826)	(10,578)	(5,423)	(8,605)	(2,151)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School Covered Payroll	$ 182,500	$ 353,667	$ 327,814	$ 223,414	$ 612,514	$ 594,689	$ 431,176	$ 338,757	$ 319,621	$ 283,055
OPEB Contributions as a Percentage of Covered Payroll (1)	2.01%	2.38%	1.17%	0.00%	0.00%	0.98%	2.45%	1.60%	2.69%	0.76%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

Middlebury Preparatory Academy
Summit County, Ohio
Required Supplementary Information
Schedule of School Contributions - OPEB
Last Ten Fiscal Years

School Teachers Retirement System (STRS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ 8,616	$ 5,961	$ 8,718	$ 9,249	
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	(8,616)	(5,961)	(8,718)	(9,249)	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ 728,071	$ 716,814	$ 446,671	$ 598,321	$ 860,764	$ 806,657	$ 861,577	$ 906,008	$ 871,769	$ 924,923
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

NET PENSION LIABILITY

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes of benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2020.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018 -2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2020. 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 and (g) mortality among disable member 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 (h) change in discount rate from 7.75% to 7.5%.

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 2014-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2020. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

NET OPEB LIABILITY

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes of benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2018-2020.

Changes in Assumptions: Amounts reported for fiscal years 2018-2020 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

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
Medicare Trend Assumption	
Medicare	
Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent
Pre - Medicare	
Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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.

For fiscal year 2020, the health care cost trend rates were modified.

Changes in Benefit Terms: 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 2020.

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 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

Middlebury Preparatory Academy
Summit County
88 Kent Street
Akron, Ohio 44305

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Middlebury Preparatory Academy, Summit County, Ohio (the School), as of and for the year ended June 30, 2020, 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 8, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
January 8, 2021

OHIO AUDITOR OF STATE
KEITH FABER

MIDDLEBURY PREPARATORY ACADEMY

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 3/18/2021

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