OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
JUNE 30, 2020

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OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43604

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Toledo School for the Arts, Lucas 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2020, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 5, 2021

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The discussion and analysis of Toledo School for the Arts (TSA) financial performance provides an overall review of TSA's financial activities for the fiscal year ended June 30, 2020. Readers should also review the basic financial statements and notes to enhance their understanding of TSA's financial performance.

Highlights

For the fiscal year ended June 30, 2020, TSA's net position decreased $54,050 (1 percent). This is not a significant change.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements.

The statement of net position and the statement of revenues, expenses, and change in net position reflect how TSA did financially during fiscal year 2020. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report TSA's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of TSA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of TSA's net position for fiscal year 2020 and fiscal year 2019:

Table 1
Net Position

	2020	2019	Change
Assets			
Current Assets	$2,008,490	$1,334,866	$673,624
Non-Current Assets (excluding capital assets)	585,879	472,382	113,497
Net OPEB Asset	397,551	388,093	9,458
Capital Assets, Net	4,535,419	4,761,135	(225,716)
Total Assets	7,527,339	6,956,476	570,863
Deferred Outflows of Resources			
Pension	1,292,300	1,862,007	(569,707)
OPEB	112,137	90,237	21,900
Total Deferred Outflows of Resources	1,404,437	1,952,244	(547,807)

(continued)

Table 1
Net Position
(continued)

	2020	2019	Change
Liabilities			
Current Liabilities	$1,421,739	$1,157,721	($264,018)
Non-Current Liabilities			
Pension	6,620,715	6,627,934	7,219
OPEB	519,910	614,048	94,138
Other Amounts	2,975,652	2,928,893	(46,759)
Total Liabilities	11,538,016	11,328,596	(209,420)
Deferred Inflows of Resources			
Pension	483,841	595,553	111,712
OPEB	739,970	738,712	(1,258)
Other Amounts	39,004	60,864	21,860
Total Deferred Inflows of Resources	1,262,815	1,395,129	132,314
Net Position			
Net Investment in Capital Assets	1,855,585	1,787,138	68,447
Restricted	247,500	247,500	0
Unrestricted (Deficit)	(5,972,140)	(5,849,643)	(122,497)
Total Net Position (Deficit)	($3,869,055)	($3,815,005)	($54,050)

The net pension liability and net OPEB liability (asset) reported by TSA at June 30, 2020, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of TSA's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 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 Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal TSA's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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, TSA 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 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. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of TSA. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension/OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, TSA'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 (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall increase in deferred outflows and overall decrease in deferred inflows. The increase in the net pension asset and decrease in the net pension/OPEB liability represents the TSA's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from the changes related to pension/OPEB, there were several changes of note in the above table. The increase in current and other assets is largely related to an increase cash and cash equivalents due to a modest increase in State funding and other grant funding resources not spent as of fiscal year end. In addition, there was an increase in pledges receivable (both current and non-current) resulting from a new pledge drive, "Next Big Thing" to allow for expansion of facilities. The decrease in net capital assets was due to annual depreciation. The increase in current liabilities and other non-current liabilities is due to a loan obtained by TSA as part of the Paycheck Protection Program (COVID-19 related loan program).

Table 2 reflects the change in net position for fiscal year 2020 and fiscal year 2019.

Table 2
Change in Net Position

	2020	2019	Change
Operating Revenues			
Foundation	$5,124,182	$5,094,142	$30,040
Sales	204,993	286,701	(81,708)
Tuition and Fees	3,120	10,305	(7,185)
Other Operating Revenues	79,111	110,607	(31,496)
Total Operating Revenues	5,411,406	5,501,755	(90,349)
Non-Operating Revenues			
Operating Grants	821,055	541,877	279,178
Contributions and Donations	735,002	929,258	(194,256)
Interest Revenue	7,031	9,589	(2,558)
Total Non-Operating Revenues	1,563,088	1,480,724	82,364
Total Revenues	6,974,494	6,982,479	(7,985)
Operating Expenses			
Salaries	3,781,081	3,579,484	(201,597)
Fringe Benefits	1,381,736	396,354	(985,382)
Purchased Services	1,061,699	1,156,396	94,697
Materials and Supplies	366,744	381,737	14,993
Depreciation	225,716	225,717	1
Other Operating Expenses	90,042	135,283	45,241
Total Operating Expenses	6,907,018	5,874,971	(1,032,047)
Non-Operating Expenses			
Interest Expense	121,526	126,965	5,439
Total Expenses	7,028,544	6,001,936	(1,026,608)
Increase (Decrease) in Net Position	(54,050)	980,543	(1,034,593)
Net Position (Deficit) at Beginning of Year	(3,815,005)	(4,795,548)	980,543
Net Position (Deficit) at End of Year	($3,869,055)	($3,815,005)	($54,050)

The change in total revenues was not significant (less than 1 percent); however, there were several changes of note. The decrease in sales is due to lower food service sales as schools closed the latter part of the fiscal year due to COVID-19. There was also a decrease in registration fees. The increase in operating grants was due to an increase Title funding (federal funding) and a new grant for student success. The decrease in contributions and donations resulted from TSA cancelling several school productions and several fundraising events due to COVID-19.

Expenses increased 17 percent due to salary increases and an overall increase in pension/OPEB expense.

Budgeting

TSA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

At the end of fiscal year 2020, TSA had $4,535,419 invested in capital assets (net of accumulated depreciation). There were no additions or disposals. For further information regarding TSA's capital assets, refer to Note 6 to the basic financial statements.

Debt Administration

At the end of fiscal year 2020, TSA had outstanding development revenue bonds, in the amount of $1,940,002 and outstanding loans, in the amount of $1,664,780. Final maturity on the revenue bonds is in fiscal year 2028. Long-term obligations also include the net pension/OPEB liability and capital leases. For further information regarding TSA's long-term obligations, refer to Notes 11 and 12 to the basic financial statements.

Current Issues

Bowling Green State University (BGSU) initially adopted the sponsorship contract of TSA for a period of four years, from July 1, 2008, through June 30, 2012. The sponsorship agreement renewed in the spring of 2012 for an additional five years through June 30, 2017. On April 11, 2017, the Board approved a new sponsorship agreement for an additional five years through June 30, 2022; however, due to changes in State legislation, this agreement expired on June 30, 2019. On June 13, 2019, the Board approved a resolution to renew the contract with BGSU that expires on June 30, 2022.

The Toledo Community Foundation houses two endowment funds for the Toledo School for the Arts. The first established in July 2008; the purpose of this endowment is to provide funding for programs that would not otherwise be available through federal, state, or local sources. The balance of this endowment on June 30, 2020, was $331,986. The second fund was established November 1, 2016; the purpose of this endowment is also to provide funding for programs that would not otherwise be available through federal, state, or local sources. The balance of this endowment on June 30, 2020, was $31,002.

Contacting TSA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of TSA's finances and to reflect TSA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jamie Lockwood, Treasurer, Toledo School for the Arts, 333 14th Street, Toledo, Ohio, 43604.

Toledo School for the Arts
Statement of Net Position
June 30, 2020

Current Assets	
Cash and Cash Equivalents	$1,760,140
Accounts Receivable	272
Intergovernmental Receivable	101,783
Pledges Receivable	146,295
Total Current Assets	2,008,490
Non-Current Assets	
Restricted Assets:	
Cash and Cash Equivalents	69,491
Cash and Cash Equivalents with Fiscal Agent	247,500
Pledges Receivable	268,888
Net OPEB Asset	397,551
Nondepreciable Capital Assets	58,300
Depreciable Capital Assets, Net	4,477,119
Total Non-Current Assets	5,518,849
Total Assets	7,527,339
Deferred Outflows of Resources	
Pension	1,292,300
OPEB	112,137
Total Deferred Outflows of Resources	1,404,437
Current Liabilities	
Accounts Payable	129,059
Accrued Wages and Benefits Payable	492,613
Accrued Interest Payable	25,907
Intergovernmental Payable	124,145
Development Revenue Bonds Payable	205,833
Loans Payable	435,967
Capital Leases Payable	8,215
Total Current Liabilities	1,421,739
Non-Current Liabilities	
Development Revenue Bonds Payable	1,734,169
Loans Payable	1,228,813
Net Pension Liability	6,620,715
Net OPEB Liability	519,910
Capital Leases Payable	12,670
Total Non-Current Liabilities	10,116,277
Total Liabilities	11,538,016
Deferred Inflows of Resources	
Unavailable Revenue	39,004
Pension	483,841
OPEB	739,970
Total Deferred Inflows of Resources	1,262,815
Net Position	
Net Investment in Capital Assets	1,855,585
Restricted for:	
Future Debt Service	247,500
Unrestricted (Deficit)	(5,972,140)
Total Net Position (Deficit)	($3,869,055)

See Accompanying Notes to Basic Financial Statements

Toledo School for the Arts
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2020

<u>Operating Revenues</u>	
Foundation	$5,124,182
Sales	204,993
Tuition and Fees	3,120
Other Operating Revenues	79,111
Total Operating Revenues	5,411,406
<u>Operating Expenses</u>	
Salaries	3,781,081
Fringe Benefits	1,381,736
Purchased Services	1,061,699
Materials and Supplies	366,744
Depreciation	225,716
Other Operating Expenses	90,042
Total Operating Expenses	6,907,018
Operating Loss	(1,495,612)
<u>Non-Operating Revenues (Expenses)</u>	
Grants	821,055
Contributions and Donations	735,002
Interest Revenue	7,031
Interest Expense	(121,526)
Total Non-Operating Revenues (Expenses)	1,441,562
Change in Net Position	(54,050)
Net Position (Deficit) at Beginning of Year - Restated (Note 3)	(3,815,005)
Net Position (Deficit) at End of Year	($3,869,055)

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
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 Foundation	$5,122,798
Cash Received from Sales	183,133
Cash Received from Tuition and Fees	3,120
Cash Received from Other Revenues	89,660
Cash Payments for Salaries	(3,770,911)
Cash Payments for Fringe Benefits	(1,057,384)
Cash Payments for Goods and Services	(1,527,084)
Cash Payments for Other Expenses	(90,042)
Net Cash Used for Operating Activities	(1,046,710)
Cash Flows from Noncapital Financing Activities	
Cash Received from Grants	793,427
Cash Received from Contributions and Donations	601,181
Loans Issued	698,333
Net Cash Provided by Noncapital Financing Activities	2,092,941
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Development Revenue Bonds	(200,833)
Interest Paid on Development Revenue Bonds	(73,205)
Principal Paid on Loans	(84,114)
Interest Paid on Loans	(48,337)
Lease Principal	(9,216)
Lease Interest	(1,516)
Net Cash Used for Capital and Related Financing Activities	(417,221)
Cash Flows from Investing Activities	
Cash Received from Interest	7,031
Net Increase in Cash and Cash Equivalents	636,041
Cash and Cash Equivalents at Beginning of Year	1,441,090
Cash and Cash Equivalents at End of Year	$2,077,131

(continued)

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
(continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($1,495,612)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	225,716
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(272)
Decrease in Intergovernmental Receivable	10,641
Decrease in Accounts Payable	(123,429)
Increase in Accrued Wages and Benefits Payable	10,110
Increase in Intergovernmental Payable	21,458
Decrease in Deferred Inflows of Resources	(21,860)
Increase in Net Pension Asset	(26,815)
Decrease in Net Pension Liability	(127,164)
Decrease in Deferrred Outflows of Resources - Pension	1,010,110
Decrease in Deferred Inflows of Resources - Pension	(432,170)
Increase in Net OPEB Liability	43,259
Decrease in Deferrred Outflows of Resources - OPEB	34,965
Decrease in Deferred Inflows of Resources - OPEB	(175,647)
Net Cash Used for Operating Activities	($1,046,710)

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School

Toledo School for the Arts (TSA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TSA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TSA's tax exempt status. TSA's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences, and wish to regain a level of control over their educational experience. TSA encompasses a safe community environment, discovery based methods, parenting education, critical thinking, and problem solving. TSA's programs are currently available to students in grades 6 through 12. TSA, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. TSA may acquire facilities as needed and contract for any services necessary for the operation of TSA.

TSA was initially approved for operation under a contract with Bowling Green State University (the Sponsor) for a period of four years commencing July 1, 2008. On April 28, 2017, the contract was again renewed for an additional five years through June 30, 2022; however, due to changes in State legislation, this contract expired June 30, 2019. On June 13, 2019, the contract was renewed for July 1, 2019, to June 30, 2022. The Sponsor is responsible for evaluating the performance of TSA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

TSA operates under the direction of a seventeen member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. It is staffed by twenty classified employees, fifty-three certified teaching personnel, and nine administrative employees who provide services to six hundred ninety students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

TSA's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and change in net position, and a statement of cash flows.

TSA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus

TSA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of TSA are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how TSA finances and meets its cash flow needs.

C. Basis of Accounting

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

In addition to assets, the statement of financial position may report 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) until that time. For TSA, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 8 and 9 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 until that time. For TSA, deferred inflows of resources consists of unavailable revenue, pension, and OPEB. Unavailable revenue consists of registration fees. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 8 and 9 to the basic financial statements.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by TSA's contract with its Sponsor. The contract between TSA and its Sponsor does prescribe a budget requirement.

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

Cash held by TSA is reflected as "Cash and Cash Equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Cash and cash equivalents that are held separately with the Bank of New York are recorded as "Cash and Cash Equivalents with Fiscal Agent".

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions.

Restricted assets represent certain resources which are segregated from other resources of TSA to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of TSA or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

G. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. TSA maintains a capitalization threshold of five thousand dollars. TSA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Buildings and Building Improvements	15 - 50 years
Furniture, Fixtures, and Equipment	5-40 years
Vehicles	15 years

Note 2 - Summary of Significant Accounting Policies (continued)

H. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. TSA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of TSA. For TSA, these revenues are generally foundation payments from the State. TSA also received operating revenues from sales (ticket and store sales) and from tuition and fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of TSA. All revenues and expenses not meeting this definition are reported as non-operating.

J. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, 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 systems. 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 systems report investments at fair value.

K. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Net Position

A. Change in Accounting Principles

For fiscal year 2020, TSA implemented Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities", Statement No. 90, "Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61", and related guidance from GASB Implementation Guide 2019-2, "Fiduciary Activities".

Note 3 - Change in Accounting Principles and Restatement of Net Position (continued)

For fiscal year 2020, TSA also implemented GASB Implementation Guide No. 2018-1. These changes were incorporated in TSA's fiscal year 2020 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, TSA will no longer be reporting agency funds. The reclassification resulted in a restatement of the TSA's financial statements.

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding of the equity interest meets the definition of an investment. These changes were incorporated in TSA's fiscal year 2020 financial statements; however, there was no effect on beginning net position.

B. Restatement of Net Position

The restatement had the following effect on net position as previously reported.

	Business-Type Activities	Private Purpose Trust Fund	Agency
Net Position at June 30, 2019	($3,896,658)	$51,470	$30,183
GASB Statememt No. 84	81,653	(51,470)	(30,183)
Adjusted Net Position at June 30, 2019	($3,815,005)	$0	$0

Note 4 - Deposits and Investments

At fiscal year end, the carrying amount of TSA's deposits was $2,077,131 and the bank balance was $2,236,846 of which $569,849 was exposed to custodial credit risk because it was uninsured and uncollateralized. TSA participates in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure repayment all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or at a rate set by the Treasurer of State. One of TSA's financial institutions was approved for a reduced collateral floor of 50 percent resulting in a portion of the uninsured and uncollateralized balance of $549,243.

Note 5 - Receivables

Receivables at June 30, 2020, consisted of accounts, intergovernmental, and pledges receivable. Most intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. All receivables, except pledges, are expected to be collected within one year. Pledges, in the amount of $268,888, will not be received within one year.

Note 5 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Federal Government Food Service Program	$14,050
Idea Part-B	18,773
Title I	52,361
Title II-A	11,829
Title IV-A	4,590
Foundation	180
Total Intergovernmental Receivables	$101,783

Note 6 - Capital Assets

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

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20
Nondepreciable Capital Assets				
Land	$58,300	$0	$0	$58,300
Depreciable Capital Assets				
Buildings and Building Improvements	6,609,021	0	0	6,609,021
Furniture, Fixtures, and Equipment	95,555	0	0	95,555
Vehicles	10,670	0	0	10,670
Total Depreciable Capital Assets	6,715,246	0	0	6,715,246
Less Accumulated Depreciation				
Buildings and Building Improvements	(1,953,068)	(212,888)	0	(2,165,956)
Furniture, Fixtures, and Equipment	(54,364)	(12,117)	0	(66,481)
Vehicles	(4,979)	(711)	0	(5,690)
Total Accumulated Depreciation	(2,012,411)	(225,716)	0	(2,238,127)
Depreciable Capital Assets, Net	4,702,835	(225,716)	0	4,477,119
Capital Assets, Net	$4,761,135	($225,716)	$0	$4,535,419

Note 7 - Risk Management

TSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, TSA contracted for the following insurance coverage:

Coverage provided by The Philadelphia Indemnity Insurance Company is as follows:	
Building and Contents	$5,668,040
General School District Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000
Automobile Liability	1,000,000
Uninsured Motorists	100,000
Umbrella	5,000,000
Stop Gap	1,000,000

Settled claims have not exceeded this commercial coverage for the past three fiscal years and there has been no significant reduction in insurance coverage from the prior fiscal year.

Workers' compensation coverage is provided by the State of Ohio. TSA pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

Note 8 - Defined Benefit Pension Plans (continued)

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

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows.

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

Note 8 - Defined Benefit Pension Plans (continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School 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 14 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The School District's contractually required contribution to SERS was $115,450 for fiscal year 2020. Of this amount, $20,738 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified 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 publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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

<u>Note 8 - Defined Benefit Pension Plans</u> (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age sixty or thirty years of service credit at any age.

The DCP allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member among the various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer contribution rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DCP 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, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

Note 8 - Defined Benefit Pension Plans (continued)

The School District's contractually required contribution to STRS was $401,971 for fiscal year 2020. Of this amount, $70,126 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02300490%	0.02415167%	
Current Measurement Date	0.02193700%	0.02400330%	
Change in Proportionate Share	0.00106790%	0.00014837%	
Proportionate Share of			
the Net Pension Liability	$1,312,529	$5,308,186	$6,620,715
Pension Expense	$177,848	$790,349	$968,197

At June 30, 2020, the School District 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	$33,283	$43,217	$76,500
Changes of Assumptions	0	623,549	623,549
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	388	74,442	74,830
School District Contributions Subsequent to the Measurement Date	115,450	401,971	517,421
Total Deferred Outflows of Resources	$149,121	$1,143,179	$1,292,300
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$0	$22,978	$22,978
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,848	259,435	276,283
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	46,909	137,671	184,580
Total Deferred Inflows of Resources	$63,757	$420,084	$483,841

Note 8 - Defined Benefit Pension Plans (continued)

$517,421 reported as deferred outflows of resources related to pension resulting from School District 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 as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2021	$1,875	$303,498	$305,373
2022	(40,395)	18,506	(21,889)
2023	(1,120)	(25,653)	(26,773)
2024	9,554	24,773	34,327
Total	($30,086)	$321,124	$291,038

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

Note 8 - Defined Benefit Pension Plans (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries was based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on 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 for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined 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 rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. 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 7.5 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 (7.5 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.

Note 8 - Defined Benefit Pension Plans (continued)

Sensitivity of the School District'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 net pension liability calculated using the discount rate of 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	$1,839,323	$1,312,529	$870,747

Actuarial Assumptions - STRS

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

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 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 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the 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.

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$7,757,322	$5,308,186	$3,234,866

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten 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 sixty-five 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 State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the 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). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was $19,600. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was $1,756.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was $1,756 for fiscal year 2020. Of this amount, $1,756 is reported as an intergovernmental payable.

Note 9 - Defined Benefit OPEB Plans (continued)

State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment 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 postemployment health care.

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	.02213370%	.02415167%	
Current Measurement Date	.02067410%	.02400330%	
Change in Proportionate Share	.00145960%	.00014837%	
Proportionate Share of the			
Net OPEB Liability	$519,910	$0	$519,910
Net OPEB Asset	$0	$397,551	$397,551
OPEB Expense	$3,827	($126,309)	($122,482)

Note 9 - Defined Benefit OPEB Plans (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$7,631	$36,041	$43,672
Changes of Assumptions	37,974	8,357	46,331
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,248	0	1,248
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	3,570	15,560	19,130
School District Contributions Subsequent to the Measurement Date	1,756	0	1,756
Total Deferred Outflows of Resources	$52,179	$59,958	$112,137
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$114,221	$20,226	$134,447
Changes of Assumptions	29,135	435,869	465,004
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	24,969	24,969
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	86,460	29,090	115,550
Total Deferred Inflows of Resources	$229,816	$510,154	$739,970

$1,756 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2021	($43,926)	($99,494)	($143,420)
2022	(32,997)	(99,494)	(132,491)
2023	(32,631)	(89,487)	(122,118)
2024	(32,690)	(85,978)	(118,668)
2025	(26,579)	(76,748)	(103,327)
Thereafter	(10,570)	1,005	(9,565)
Total	($179,393)	($450,196)	($629,589)

Note 9 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, 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 inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.7 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the 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.

Note 9 - Defined Benefit OPEB Plans (continued)

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, 7.5 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 ten 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.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

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 the total OPEB liability prior to June 30, 2019, was 3.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 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 Twenty-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 District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - 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 and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) or one percentage point higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22)
School District's Proportionate Share of the Net OPEB Liability	$631,072	$519,910	$431,523

Note 9 - Defined Benefit OPEB Plans (continued)

	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	$416,553	$519,910	$657,040

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	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members. For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were 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.

Note 9 - Defined Benefit OPEB Plans (continued)

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

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments 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 liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	$339,232	$397,551	$446,586

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	$450,806	$397,551	$332,329

Note 10 - Other Employee Benefits

TSA provides medical benefits through Paramount Health Care, and vision and dental benefits through the Guardian Life Insurance Company. The Board pays the entire monthly premium, except for part-time employees who pay a pro-rated portion for their benefits.

TSA also provides life insurance to active full-time employees through the Guardian Life Insurance Company.

Note 11 - Long-Term Obligations

Changes in TSA's long-term obligations during fiscal year 2020 were as follows:

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20	Amounts Due Within One Year
Revenue Bonds from Direct Replacement					
FY 2008 Development Revenue Bonds - 3.3%	$2,140,835	$0	$200,833	$1,940,002	$205,833
Loans Payable from Direct Placement					
FY 2014 Loan - 4.9%	1,050,561	0	84,114	966,447	88,109
FY 2020 Loan - 1.0%	0	698,333	0	698,333	347,858
Total Loans Payable	1,050,561	698,333	84,114	1,664,780	435,967
Net Pension Liability					
SERS	1,317,534	0	5,005	1,312,529	0
STRS	5,310,400	0	2,214	5,308,186	0
Total Net Pension Liability	6,627,934	0	7,219	6,620,715	0
Net OPEB Liability					
SERS	614,048	0	94,138	519,910	0
Capital Leases Payable	30,101	0	9,216	20,885	8,215
Total Long-Term Obligations	$10,463,479	$698,333	$395,520	$10,766,292	$650,015

FY 2008 Development Revenue Bonds - On December 19, 2007, Toledo Lucas County Port Authority issued bonds on behalf of TSA, in the amount of $3,750,000, for building acquisition and improvement. Of this amount, $247,500 was not capitalized. The bonds were issued for a twenty year period, with final maturity in fiscal year 2028.

During fiscal year 2019, Toledo Lucas County Port Authority refinanced the remaining FY2008 Development Revenue Bonds held on behalf of the Toledo School for the Arts. The refinancing resulted in an interest rate decrease from 5.5 percent to 3.3 percent. Final maturity did not change.

Note 11 - Long-Term Obligations (continued)

The bonds are also subject to mandatory sinking redemption at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on each May 15 and November 15, in the following principal amounts and in the years specified:

Year	May 15 Principal Amount	November 15 Principal Amount
2020	$0	$100,000
2021	105,000	105,000
2022	105,000	110,000
2023	110,000	110,000
2024	115,000	115,000
2025	120,000	120,000
2026	120,000	125,000
2027	125,000	125,000
2028	247,500	0

FY 2014 Loan - On October 20, 2013, TSA obtained a loan from the Toledo Lucas County Port Authority for building acquisition and improvement. TSA received $342,666 in fiscal year 2014 and $1,018,786 in fiscal year 2015, for a total loan of $1,361,452. The loan was issued for a fourteen year period, with final maturity in fiscal year 2029.

FY 2020 Loan - On April 27, 2020, TSA obtained a loan from Huntington National Bank through the Paycheck Protection Program by the U.S. Small Business Administration. TSA received $698,333 in fiscal year 2020. The loan was issued for an eighteen month period, with final maturity in fiscal year 2022.

Principal and interest requirements to retire outstanding long-term obligations at June 30, 2020, were as follows:

	Development Revenue Bonds from Direct Placement	
Fiscal Year Ending June 30,	Principal	Interest
2021	$205,833	$66,591
2022	210,833	59,730
2023	220,000	52,690
2024	225,833	45,416
2025	235,834	37,881
2026-2028	841,669	65,093
Total	$1,940,002	$327,401

Note 11 - Long-Term Obligations (continued)

Fiscal Year Ending June 30,	Loans Payable from Direct Placement Principal	Loans Payable from Direct Placement Interest
2021	$435,967	$48,421
2022	442,768	41,619
2023	96,676	35,775
2024	101,267	31,184
2025	106,076	26,375
2026-2029	482,026	51,042
Total	$1,664,780	$234,416

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability. For additional information related to the net pension/OPEB liability, see Notes 8 and 9 to the basic financial statements.

Note 12 - Capital Leases - Lessee Disclosure

TSA has entered into capitalized leases for equipment. Principal payments in fiscal year 2020 were $9,216.

	Governmental Activities
Equipment	$43,303
Less Accumulated Depreciation	(25,982)
Carrying Value at June 30, 2020	$17,321

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2020.

Year	Governmental Activities Principal	Governmental Activities Interest
2021	$8,215	$889
2022	9,420	536
2023	3,250	74
Total	$20,885	$1,499

Note 13 - Contingencies

A. Grants

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

B. Litigation

There are currently no matters in litigation with the School District as defendant.

C. 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 Revised 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.

TSA's October 14 and December 14, 2020, foundation settlement receipts included the first and second FTE adjustment for fiscal year 2020. This resulted in a total increase of $153 which is the net amount of the October 14 and December 14, 2020, settlements. This amount is not to TSA's financial statements at fiscal year end and has not been recorded.

In addition, TSA's contract with their Sponsor requires payment based on revenues received from the State. TSA is required to pay 2 percent of amounts received from enrollment adjustments back to their Sponsor. As discussed above, additional FTE adjustments for fiscal year 2020 have been finalized. TSA increased the amount paid to Bowling Green State University by $3 in fiscal year 2021. This amount is not material to TSA's financial statements at fiscal year end and has not been recorded.

Note 14 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods for the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the School District's future operating costs, revenues, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 - Subsequent Event

On February 11, 2021, the Small Business Association forgave the Paycheck Protection Loan (FY20 Loan in Note 11). TSA does not have to pay back the $698,333 loan proceeds.

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Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018	2017
TSA's Proportion of the Net Pension Liability	0.02193700%	0.02300490%	0.02410230%	0.02407540%
TSA's Proportionate Share of the Net Pension Liability	$1,312,529	$1,317,534	$1,440,059	$1,762,097
TSA's Employee Payroll	$759,237	$759,163	$790,757	$753,707
TSA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	172.87%	173.55%	182.11%	233.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014
0.02240780%	0.02187400%	0.02187400%
$1,278,611	$1,107,031	$1,300,777
$688,763	$599,557	$515,023
185.64%	184.64%	252.57%
69.16%	71.70%	65.52%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018	2017
TSA's Proportion of the Net Pension Liability	0.02400330%	0.02415167%	0.02362770%	0.02455159%
TSA's Proportionate Share of the Net Pension Liability	$5,308,186	$5,310,400	$5,612,812	$8,218,157
TSA's Employee Payroll	$2,881,364	$2,766,536	$2,573,779	$2,597,171
TSA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	184.22%	191.95%	218.08%	316.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014
0.02417619%	0.02317397%	0.02317397%
$6,681,591	$5,636,712	$6,714,414
$2,542,593	$2,431,746	$2,123,638
262.79%	231.80%	316.18%
72.10%	74.70%	69.30%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2020	2019	2018	2017
TSA's Proportion of the Net OPEB Liability	0.02067410%	0.02213370%	0.02380680%	0.02299380%
TSA's Proportionate Share of the Net OPEB Liability	$519,910	$614,048	$638,912	$655,408
TSA's Employee Payroll	$759,237	$759,163	$790,757	$753,707
TSA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	68.48%	80.88%	80.80%	86.96%
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.

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

See Accompanying Notes to the Required Supplementary Information

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2020	2019	2018	2017
TSA's Proportion of the Net OPEB Liability (Asset)	0.02400330%	0.02415167%	0.02362770%	0.02455159%
TSA's Proportionate Share of the Net OPEB Liability (Asset)	($397,551)	($388,093)	$921,866	$1,313,025
TSA's Employee Payroll	$2,881,364	$2,766,536	$2,573,779	$2,597,171
TSA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-13.80%	-14.03%	35.82%	50.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	$115,450	$102,497	$102,487	$110,706
Contributions in Relation to the Contractually Required Contribution	(115,450)	(102,497)	(102,487)	(110,706)
Contribution Deficiency (Excess)	$0	$0	$0	$0
TSA's Employee Payroll	$824,643	$759,237	$759,163	$790,757
Contributions as a Percentage of Employee Payroll	14.00%	13.50%	13.50%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	$1,756	$7,946	$10,403	$9,962
Contributions in Relation to the Contractually Required Contribution	(1,756)	(7,946)	(10,403)	(9,962)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.21%	1.05%	1.37%	1.26%
Total Contributions as a Percentage of Employee Payroll (2)	14.21%	14.55%	14.87%	15.26%

(1) TSA's covered payroll is the same for Pension and OPEB
(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014	2013	2012	2011
$105,519	$90,779	$83,099	$71,279	$66,600	$53,120
(105,519)	(90,779)	(83,099)	(71,279)	(66,600)	(53,120)
$0	$0	$0	$0	$0	$0
$753,707	$688,763	$599,557	$515,023	$495,165	$422,591
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
$5,611	$14,263	$5,900	$3,944	$10,211	$12,314
(5,611)	(14,263)	(5,900)	(3,944)	(10,211)	(12,314)
$0	$0	$0	$0	$0	$0
0.74%	2.07%	0.98%	0.77%	2.06%	2.91%
14.74%	15.25%	14.84%	14.61%	15.51%	15.48%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	$401,971	$403,391	$387,315	$360,329
Contributions in Relation to the Contractually Required Contribution	(401,971)	(403,391)	(387,315)	(360,329)
Contribution Deficiency (Excess)	$0	$0	$0	$0
TSA Employee Payroll	$2,871,221	$2,881,364	$2,766,536	$2,573,779
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014	2013	2012	2011
$363,604	$355,963	$316,127	$276,073	$260,304	$261,309
(363,604)	(355,963)	(316,127)	(276,073)	(260,304)	(261,309)
$0	$0	$0	$0	$0	$0
$2,597,171	$2,542,593	$2,431,746	$2,123,638	$2,002,338	$2,010,069
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
$0	$0	$24,317	$21,236	$20,023	$20,101
0	0	(24,317)	(21,236)	(20,023)	(20,101)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported 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 inflation	
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

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 percent.

Changes in Benefit Terms - STRS

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

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

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43604

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Toledo School for the Arts, Lucas 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 March 5, 2021 wherein we noted the School implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 5, 2021

OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO SCHOOL FOR THE ARTS

LUCAS 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 3/23/2021

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