OHIO AUDITOR OF STATE
KEITH FABER

VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS CAMPUS
CUYAHOGA COUNTY

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VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS CAMPUS
CUYAHOGA COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Village Preparatory School - Woodland Hills Campus
Cuyahoga County
9201 Crane Avenue
Cleveland, Ohio 44105

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Village Preparatory School - Woodland Hills Campus, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2021, 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, 2021, 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 Matter

As discussed in Note 17 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.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, 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

May 12, 2022

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The management's discussion and analysis of Breakthrough Public Schools: Village Preparatory School – Woodland Hills' (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- Enrollment increased from 702 to 724 in fiscal year 2021.

- In total, net position increased $918,183 or 21.90 percent from 2020 to 2021.

- The School had operating revenues of $7,102,909 and operating expenses of $8,775,408 for fiscal year 2021. The School also had $2,590,682 in non-operating revenues during fiscal year 2021.

Using these Basic Financial Statements

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

Reporting the School Financial Activities

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

These documents answer the question, "How did we do financially during 2021?" These statements include all assets, liabilities, deferred outflows/inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received.

These statements report the School's net position and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 13 and 14 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 15 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements, can be found on pages 17-53 of this report.

In addition to the basic financial statements and accompanying notes, this reports also presents certain required supplementary information concerning the School's net pension liability and net OPEB liability, which can be found on pages 54-64 of this report.

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The table below provides a summary of the School's net position for the fiscal years 2021 and 2020:

Table 1 - Net Position

	2021	2020
ASSETS		
Current Assets	$ 5,260,862	$ 3,857,409
Net OPEB Asset	505,049	508,004
Capital Assets, Net	1,395,646	2,224
Total Assets	7,161,557	4,367,637
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,403,046	1,820,901
OPEB	166,131	179,792
Total Deferred Outflows of Resources	1,569,177	2,000,693
LIABILITIES		
Current Liabilities	1,846,889	460,257
Long-term liabilities:		
Due within one year - Loan Payable	970,500	429,537
Due in more than one year:		
Loan Payable	-	540,963
Net Pension Liability	7,589,093	7,485,142
Net OPEB Liability	217,604	279,143
Total Liabilities	10,624,086	9,195,042
DEFERRED INFLOWS OF RESOURCES		
Pension	610,344	615,972
OPEB	771,425	750,620
Total Deferred Inflows	1,381,769	1,366,592
NET POSITION		
Investment in Capital Assets	1,395,646	2,224
Restricted	660,925	368,301
Unrestricted	(5,331,692)	(4,563,829)
Total Net Position	$ (3,275,121)	$ (4,193,304)

The net pension liability (NPL), the largest single liability reported by the School at June 30, 2021, the net OPEB liability (NOL) and the net OPEB asset are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27", and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset and deferred outflows related to pension and OPEB.

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

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

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

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

The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*.

State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

At June 30, 2021, the School's net position totaled a deficit of $3,275,121. The significant deficit in net position can solely be explained by the net pension and OPEB liability/asset and related deferred inflows/outflows of resources as shown on the following page. Total assets increased by $2,793,920 from 2020 to 2021 mainly due to the increase in cash and cash equivalents, which was offset by the decrease in pledge and other receivables. Current liabilities increased by $1,386,632 from 2020 to 2021 mainly to due to the timing of disbursements and capital assets related to a fiscal year 2021 construction project. The significant changes in net OPEB asset, net pension and net OPEB liabilities, and deferred outflows and inflows of resources are attributed to the reporting of GASB 68 and 75 as discussed above.

The implementation of GASB Statement No. 68 and 75 requires the reader to perform additional calculations to determine the School's Total Net Position at June 30, 2021, without the implementation of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (SERS & STRS) collect, hold, invest, and distribute pensions to our employees, not the School.

These calculations are as follows:

Total Net Position including GASB 68 and GASB 75	$ (3,275,121)
Add:	
Net Pension liability	7,589,093
Net OPEB Liability	217,604
Deferred Inflows - Pension	610,344
Deferred Inflows - OPEB	771,425
Less:	
Net OPEB Asset	(505,049)
Deferred Outflows - Pension	(1,403,046)
Deferred Outflows - OPEB	(166,131)
Total Net Position without GASB 68 and GASB 75	$ 3,839,119

The table below shows the change in net position for the fiscal years 2021 and 2020:

Table 2 - Change in Net Position

	2021	2020
OPERATING REVENUES		
State Foundation	$ 6,961,762	$ 6,733,607
Classroom Materials and Fees	-	9,130
Other Operating Revenues	141,147	-
Total Operating Revenues	7,102,909	6,742,737
OPERATING EXPENSES		
Salaries and Wages	3,948,904	3,921,481
Fringe Benefits	1,480,367	2,027,079
Purchased Services	3,048,607	2,845,698
Materials and Supplies	266,889	352,268
Depreciation	2,224	4,798
Other	28,417	34,899
Total Operating Expenses	8,775,408	9,186,223
Operating Income (Loss)	(1,672,499)	(2,443,486)
NON-OPERATING REVENUES		
Interest Income	5,072	19,513
Tax Distribution	655,946	456,485
Federal and State Grants	1,929,664	1,452,573
Contributions and Donations	-	198,979
Total Non-operating Revenues	2,590,682	2,127,550
Change in Net Position	918,183	(315,936)
Net Position - Beginning of Year	(4,193,304)	(3,877,368)
Net Position - End of Year	$ (3,275,121)	$ (4,193,304)

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation payments attributed to 72 percent of total operating and non-operating revenues during fiscal year 2021.

Contributions and donations decreased by $198,979 mainly due to the decrease in contributions from Friends of Breakthrough Schools. The increase in federal and state grants is due to increase in grants received.

The increase in miscellaneous revenue is due to the change in accruals related to the Medicaid receivable.

The decrease in fringe benefits expense was due mainly to an increase in pension and OPEB expenses. Below is a comparison of fringe benefits expense without GASB 68 and GASB 75.

	2021	2020
Fringe Benefits	$ 988,307	$ 991,044

See notes 11 and 12 in the notes to the basic financial statements for more detail on GASB 68 and 75.

Capital Assets

At June 30, 2021, the School had $1,395,646 invested in furniture, equipment and computers, net of accumulated depreciation. The increase in capital asset is due to an addition of leasehold improvements. See Note 8 in the notes to the basic financial statements for more detail on the School's capital assets.

Long-Term Debt

On April 14, 2020 the School entered into a note agreement with PNC Bank, National Association for a Small Business Association Paycheck Protection Program loan (PPP Loan) in the amount of $970,500. The loan was granted forgiveness on September 3, 2021. See note 13 in the notes to the basic financial statements for more detail on long-term debt activity.

Current Financial Related Activities

The School's fiscal agent relationship is with Breakthrough Public Schools, a Charter Management Organization. During the 2020-2021 fiscal school year, there were 724 students enrolled in the School. The School relies on the State Foundation Funds, State and Federal Sub-Grants and private donors to provide the monies necessary to operate the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Doug Mangen, Treasurer, 3615 Superior Avenue, Suite 4403A, Cleveland, Ohio 44114 or email doug@mangen1.com.

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Statement of Net Position
June 30, 2021

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 4,686,375
Receivables:	
Intergovernmental	461,197
Pension	17,812
Other	3,516
Tax Distribution	91,962
Total Current Assets	5,260,862
Noncurrent Assets:	
Net OPEB Asset	505,049
Capital Assets:	
Depreciable Capital Assets, Net of Depreciation	1,395,646
Total Noncurrent Assets	1,900,695
Total Assets	7,161,557
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,403,046
OPEB	166,131
Total Deferred Outflows of Resources	1,569,177
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,455,855
Accrued Wages and Benefits	380,992
Intergovernmental Payable	10,042
Loans Payable	970,500
Total Current Liabilities	2,817,389
Noncurrent Liabilities:	
Net Pension Liability	7,589,093
Net OPEB Liability	217,604
Total Noncurrent Liabilities	7,806,697
Total Liabilities	10,624,086
DEFERRED INFLOWS OF RESOURCES	
Pension	610,344
OPEB	771,425
Total Deferred Inflows of Resources	1,381,769
NET POSITION	
Investment in Capital Assets	1,395,646
Restricted for:	
State Funded Programs	245,958
Federally Funded Programs	224,194
Other Designations	190,773
Unrestricted	(5,331,692)
Total Net Position	$ (3,275,121)

See accompanying notes to the basic financial statements

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

OPERATING REVENUES	
State Foundation	$ 6,961,762
Other Operating Revenues	141,147
Total Operating Revenues	7,102,909
OPERATING EXPENSES	
Salaries and Wages	3,948,904
Fringe Benefits	1,480,367
Purchased Services	3,048,607
Materials and Supplies	266,889
Depreciation	2,224
Other	28,417
Total Operating Expenses	8,775,408
Operating Loss	(1,672,499)
NON-OPERATING REVENUES	
Interest Income	5,072
Tax Distribution	655,946
Federal and State Grants	1,929,664
Total Non-operating Revenues	2,590,682
Change in Net Position	918,183
Net Position - Beginning of Year	(4,193,304)
Net Position - End of Year	$ (3,275,121)

See accompanying notes to the basic financial statements

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from State of Ohio	$ 6,968,670
Cash Received from Other Operations	166,618
Cash Payments for Salaries and Wages	(3,918,214)
Cash Payments for Fringe Benefits	(995,865)
Cash Payments for Purchased Services	(3,028,579)
Cash Payments for Materials and Supplies	(304,640)
Cash Payments for Other Expenses	(26,801)
Net Cash Used in Operating Activities	(1,138,811)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Grants	1,834,822
Tax Distribution	655,946
Contributions and Donations	84,602
Net Cash Provided by Noncapital Financing Activities	2,575,370
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	5,072
Net Cash Provided by Investing Activities	5,072
Net Increase in Cash and Cash Equivalents	1,441,631
Cash and Cash Equivalents - Beginning of Year	3,244,744
Cash and Cash Equivalents - End of Year	$ 4,686,375
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES OPERATING ACTIVITIES	
Operating Loss	$ (1,672,499)
Adjustments:	
Depreciation	2,224
(Increase) Decrease in Assets and Deferred Outflows:	
Intergovernmental Receivable	21,276
Pension Receivable	(11,486)
Other Receivable	38,628
Net OPEB Asset	2,955
Deferred Outflows - Pension	417,855
Deferred Outflows - OPEB	13,661
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(40,301)
Accrued Wages and Benefits	34,751
Intergovernmental Payable	(3,464)
Net Pension Liability	103,951
Net Pension OPEB	(61,539)
Deferred Inflows - Pension	(5,628)
Deferred Inflows - OPEB	20,805
Net Cash Used in Operating Activities	$ (1,138,811)

Schedule of Noncash Non-Capital and Capital Financing Activities
Net impact of accruals for capital asset additions in amount of $1,395,646

See accompanying notes to the basic financial statements

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NOTE 1 – DESCRIPTION OF THE SCHOOL

Breakthrough Public Schools: Village Preparatory School – Woodland Hills (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School's mission is to provide students of kindergarten to grade four a high quality, academically rigorous education for the college bound scholar. The School served students in kindergarten through eighth grades

The School, which is part of the State's education program, is independent of any School District and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Buckeye Hope Foundation (the "Sponsor") effective March 25, 2019 to June 30, 2020, which was later extended to June 30, 2025.

The School has contracted with Breakthrough Public Schools for academic and business services beginning in 2012 for an initial term of three years and is automatically renewed for an additional two-year renewal term ending on June 30th of each subsequent two-year period unless written notice of its intent to consider termination is given by either Party no later than September 30th prior to the end of the Term and final notice of termination is given no later than December 31st prior to the end of the Term.

The School operates under the direction of the Board of Trustees. The Board of Trustees is responsible for carrying out the provisions of the contract, which include but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board of Trustees controls the School's one instructional/support facility staffed by 6 non-certified and 73 certificated full-time teaching personnel who provide services to 724 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

The School's significant accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The School's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Note 11 and Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Note 11 and Note 12.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Budgetary Process

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

All monies received by the School are accounted for by the School's fiscal agent, Breakthrough Public Schools. All cash is received and deposited by the School. Separate accounts are maintained in the School's name. Monies for the School are maintained in these accounts.

During fiscal year 2021, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). The School's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School. The School measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

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

F. 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. The School does not have any infrastructure. The School maintains a capitalization threshold at $5,000. 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 reported capital assets are depreciated. Depreciation is computed using the straight-line method over the remaining useful life of the related capital assets. Furniture, fixtures and equipment are depreciated over five years. Leasehold improvements are depreciated over twenty years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the Statement of Net Position. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

H. Net Position

Net position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the School, these revenues are payments from the State Foundation Program, and classroom materials and fees. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the School. All revenues and expenses not meeting this definition are reported as non-operating.

J. Prepaid Items

Payments made to vendors for services that will benefit fiscal years beyond June 30, 2021 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year ended in which services are consumed.

K. Intergovernmental Revenue

The School currently participates in the State Foundation Basic Aid, Nutrition, IDEA-B, EOEC, Title VI-B, Broadband, Coronavirus Relief Fund, ESSER 1, 21st Century, and various state and other federal grants. The State Foundation Basic Aid (which includes casino and facilities revenue) is recognized as operating revenue. All of the other grant revenues received from these programs are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Intergovernmental Revenue (Continued)

Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts recognized under the above named programs for the 2021 fiscal school year totaled $8,891,426.

L. Estimates

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

M. Compensated Absences

Each full time employee is given up to ten paid days per year personal time off (PTO). Employees receive 1 day of personal leave credit for each month of service to be used for personal matters, including vacation, illness or illness in a family. PTO leave not used will not be carried over to the next year. Employees who are terminated or resign are not paid for unused PTO.

N. Contributions and Donations

Non-cash contributions and donations are recorded at their fair market value on the date donated.

O. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During the fiscal year, the School implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Implementation Guide No. *2019-1 Update* and Implementation Guide No. *2019-2 Fiduciary Activities.* These changes were incorporated in the School District's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* with exception of paragraphs 13-14. The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of the School District.

NOTE 4 – SPONSORSHIP AND MANAGEMENT AGREEMENTS

Village Preparatory School Woodland Hills entered into a sponsorship agreement with Buckeye Hope Foundation effective March 25, 2019 to June 30, 2020, which was later extended to June 30, 2025. Sponsorship fees for the Buckeye Hope Foundation are 3% of the total amount of payments for operating expenses the School receives from the State in consideration for providing monitoring, oversight, and technical assistance to the School and are recorded as professional and technical services within the purchased services expense on the Statement of Revenues, Expenses and Changes in Net Position. The total amount due from the School for fiscal year 2021 was $173,914, of which $14,027 was outstanding and included as a liability as of June 30, 2021.

The School entered into an agreement with Breakthrough Public Schools to provide academic and business services beginning July 1, 2012 for an initial term of three years and is automatically renewed for an additional two-year renewal term ending on June 30th of each subsequent two-year period unless written notice of its intent to consider termination is given by either Party no later than September 30th prior to the end of the Term and final notice of termination is given no later than December 31st prior to the end of the Term. Management fees were $2,200 per student per year based upon the Full-Time Equivalent (FTE) student calculations provided by the Ohio Department of Education via the monthly State Foundation Payments. The total amount due and paid in full from the School for the fiscal year ending June 30, 2021 was $1,594,406. Management fees are recorded as professional and technical services within purchased services on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

At June 30, 2021, the carrying amount of all School's deposits was $166,196. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2021, $250,000 of the School's bank balance of $315,870 was covered by FDIC.

Investments

STAR Ohio is measured at net asset value per share. The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The below tables identify the School's recurring fair value measurement as of June 30, 2021. As previously discussed, Star Ohio is reported at its net asset value.

Investment Type	Net Asset Value	Investment Maturities 6 months or less
STAR Ohio	$ 4,520,179	$ 4,520,179

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021 is 54 days and carries a rating of AAAm by S&P Global Ratings. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School's investment policy does not specifically address credit risk beyond requiring the School to only invest in securities authorized by State statute.

Concentration of Credit Risk: The School investment policy places no limits on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2021:

Investment Type	Net Asset Value	% of Total
STAR Ohio	$ 4,520,179	100%

NOTE 6 – RECEIVABLES

Receivables at June 30, 2021, consisted of intergovernmental receivables arising from grants and entitlements, pension receivable, other receivables and tax distribution receivable. Intergovernmental receivables are considered collectible in full due to the current year guarantee of federal funds and the stable condition of state programs.

A summary of the principal items of receivables follows:

	Receivables
Intergovernmental:	
Title I	$ 12,455
IDEA B	19,592
Title II-A	
Title IV-A	1,555
Broadband	45,986
Coronavirus Relief Fund	597
ESSER 1	210,917
Medicaid	141,427
21st Century	13,571
FTE adjustment	4,156
Food service	10,941
Total Intergovernmental	461,197
Pension Receivable	17,812
Other Receivable	3,516
Tax Distribution	91,962
Total Receivables	$ 574,487

NOTE 7 – TAX DISTRIBUTION

The Breakthrough network of schools participate in a partnership with the Cleveland Municipal School District (CMSD) for a property tax levy of 1 mill based on the assessed real property value within the School District. The original levy was for four years and was passed in November 2012 . On November 8, 2016, this levy was renewed for an additional four years. On November 3, 2020, this levy was renewed for a period of 10 years (2021-2030) at a rate of 1.5 mills of the assessed real property value within the School District.

NOTE 8 – CAPITAL ASSETS

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Capital Assets:				
Depreciable Capital Assets:				
Leasehold Improvements	$ -	$ 1,395,646	$ -	$ 1,395,646
Furniture, Equipment, and Computers	23,989	-	-	23,989
Total Depreciable Capital Assets	23,989	1,395,646	-	1,419,635
Less Accumulated Depreciation:				
Furniture, Equipment, and Computers	(21,765)	(2,224)	-	(23,989)
Total Accumulated Depreciation	(21,765)	(2,224)	-	(23,989)
Total Capital Assets, Net	$ 2,224	$ 1,393,422	$ -	$ 1,395,646

NOTE 9 – RISK MANAGEMENT

A. Insurance Coverage

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2021, the School contracted with Argonaut Insurance Co. with the following insurance coverage:

Commercial General Liability per Occurrence	$1,000,000
Commercial General Liability Aggregate	3,000,000
Umbrella Coverage per Occurrence	10,000,000
Umbrella Coverage per Aggregate	10,000,000
Commercial Property ($5,000 Deductible)	75,808,851
Crime Coverage ($500 Deductible) Each Employee	1,000,000
Computer Coverage ($500 Deductible)	250,000
Employee Benefits Liability ($2,500 Deductible) Each Employee	1,000,000
Employee Benefits Liability ($2,500 Deductible) Aggregate	3,000,000
Employers Stop Gap Liability	1,000,000
School Board Legal Liability per Aggregate ($2,500 Deductible)	1,000,000
School Board Legal Liability per Occurrence ($2,500 Deductible)	3,000,000

NOTE 9 – RISK MANAGEMENT (Continued)

A. Insurance Coverage (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year. The School owns no property, but leases a facility located at 9201 Crane Avenue, Cleveland, OH 44105 (See Note 15).

B. Workers' Compensation

The School makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employees Medical, Dental, Vision, Life and Disability Benefits

Breakthrough Public Schools (BPS) values the health and well-being of all of our teachers, leaders and support staff. The BPS Network contracts through an independent carrier to provide insurance to all active, full-time employees scheduled to work at least 30 hours per week. Employees may elect medical, dental, vision, and life insurance coverage for themselves and eligible dependents, including the employee's spouse and children, depending on their family needs.

The School subsidizes between 52 – 75% of the Point of Service (PPO) $250/$500 deductible plan and subsidizes between 57 – 80% for the Health Savings Account (HSA) $3,000/$6,000 deductible plan. The School subsidizes 50 percent for dental insurance. Vision insurance and voluntary life is paid by the employee. Long-term disability insurance, short-term disability, and basic life insurance benefits are paid by the School.

NOTE 10 – CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2021.

NOTE 10 – CONTINGENCIES (Continued)

B. Litigation

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

C. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE review for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not performed a review on the School for fiscal year 2021.

As of the date of this report, all ODE adjustments for fiscal year 2021 have been finalized.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

A. Net Pension Liability

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

B. Plan Description - School Employees Retirement System (SERS)

Plan Description –School non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

B. Plan Description - School Employees Retirement System (SERS) (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers.

The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was the entire 14.0 percent.

The School's contractually required contribution to SERS was $36,036 for fiscal year 2021.

C. Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying servicer credit and age 60, or 30 years or service credit at any age.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

C. Plan Description State Teachers Retirement System (STRS) (Continued)

The DC Plan allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan.

The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account.

STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

C. Plan Description State Teachers Retirement System (STRS) (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contributions to STRS was $508,416 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The School's proportion of the net pension liability was based on the School'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	0.0117359%	0.03067216%	
Proportion of the Net Pension Liability Current Measurement Date	0.0096129%	0.02873677%	
Change in Proportionate Share	-0.0021230%	-0.00193539%	
Proportionate Share of the Net Pension Liability	$ 635,817	$ 6,953,276	$ 7,589,093
Pension Expense	$ 63,358	$ 997,272	$ 1,060,630

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,235	$ 15,600	$ 16,835
Changes of assumptions	-	373,255	373,255
Net difference between projected and actual earnings on pension plan investments	40,360	338,139	378,499
Changes in proportion and differences between contributions and proportionate share of contributions	17,463	72,542	90,005
School contributions subsequent to the measurement date	36,036	508,416	544,452
Total Deferred Outflows of Resources	$ 95,094	$ 1,307,952	$ 1,403,046
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 44,459	$ 44,459
Changes in proportion and differences between contributions and proportionate share of contributions	75,925	489,960	565,885
Total Deferred Inflows of Resources	$ 75,925	$ 534,419	$ 610,344

$544,452 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	$ (30,331)	$ 158,914	$ 128,583
2023	(15,995)	(32,888)	(48,883)
2024	29,459	65,935	95,394
2025	-	73,156	73,156
Total	$ (16,867)	$ 265,117	$ 248,250

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). 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, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

E. Actuarial Assumptions - SERS (Continued)

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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
International Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

E. Actuarial Assumptions - SERS (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$ 870,992	$ 635,817	$ 438,501

Changes since measurement date:

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020.

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

F. Actuarial Assumptions – STRS (Continued)

Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

***** 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's 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, 2020. 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, 2020.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

F. Actuarial Assumptions – STRS (Continued)

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, 2020.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School'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'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's proportionate share of the net pension liability	$ 9,900,254	$ 6,953,276	$ 4,455,957

NOTE 12 – DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability/Asset

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

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

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

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

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

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

B. Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage.

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

B. Plan Description – School Employees Retirement System (SERS) (Continued)

The surcharge, is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $0 for fiscal year 2021.

C. Plan Description – State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and net OPEB asset were measured as of June 30, 2020, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability and net OPEB asset were based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability/asset Prior Measurement Date	0.0111000%	0.03067216%	
Proportion of the Net OPEB Liability/asset Current Measurement Date	0.0100125%	0.02873677%	
Change in Proportionate Share	-0.0010875%	-0.00193539%	
Proportionate Share of the Net OPEB Liability/(asset)	$ 217,604	$ (505,049)	$ (287,445)
OPEB Expense	$ 750	$ (24,868)	$ (24,118)

At June 30, 2021, the School 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	$ 2,858	$ 32,362	$ 35,220
Changes of assumptions	37,094	8,338	45,432
Net difference between projected and actual earnings on OPEB plan investments	2,450	17,701	20,151
Changes in proportion and differences between contributions and proportionate share of contributions	37,204	28,124	65,328
Total Deferred Outflows of Resources	$ 79,606	$ 86,525	$ 166,131
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 110,668	$ 100,598	$ 211,266
Changes of assumptions	5,482	479,709	485,191
Changes in proportion and differences between contributions and proportionate share of contributions	55,861	19,107	74,968
Total Deferred Inflows of Resources	$ 172,011	$ 599,414	$ 771,425

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	$ (20,036)	$ (125,249)	$ (145,285)
2023	(32,235)	(113,268)	(145,503)
2024	(11,107)	(109,060)	(120,167)
2025	(17,945)	(115,841)	(133,786)
2026	(7,137)	(24,613)	(31,750)
Thereafter	(3,945)	(24,858)	(28,803)
Total	$ (92,405)	$ (512,889)	$ (605,294)

E. Actuarial Assumptions – SERS

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

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

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

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

E. Actuarial Assumptions – SERS (Continued)

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, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

E. Actuarial Assumptions – SERS (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%).

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

E. Actuarial Assumptions – SERS (Continued)

Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School's proportionate share of the net OPEB liability	$ 266,342	$ 217,604	$ 178,858

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School's proportionate share of the net OPEB liability	$ 171,347	$ 217,604	$ 279,462

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation is presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	
Medicare	11.87 percent	4.00 percent

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

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

Actuarial assumptions used in the June 30, 2020 valuation is based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

F. Actuarial Assumptions – STRS (Continued)

The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to 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, 2020.

Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, 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.

NOTE 12 – DEFINED BENEFIT OPEB PLAN (Continued)

F. Actuarial Assumptions – STRS (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	$ 439,425	$ 505,049	$ 560,727

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	$ 557,271	$ 505,049	$ 441,433

Benefit Term Changes Since the Prior Measurement Date There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

NOTE 13 – LONG TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2021 were as follows:

	Balance as of 6/30/2020	Additions	Deletions	Balance as of 6/30/2021	Due within One Year
Net Pension Liability:					
STRS	$ 6,782,963	$ 170,313	$ -	$ 6,953,276	$ -
SERS	702,179	-	(66,362)	635,817	-
Total Net Pension Liability	7,485,142	170,313	(66,362)	7,589,093	-
Net OPEB Liability - SERS	279,143	-	(61,539)	217,604	-
Loan Payable	970,500	-	-	970,500	970,500
Total Long-Term Obligations	$ 8,734,785	$ 170,313	$ (127,901)	$ 8,777,197	$ 970,500

On April 14, 2020 the School entered into a note agreement with PNC Bank, National Association for a Small Business Association Paycheck Protection Program loan (PPP Loan) in the amount of $970,500. The note bears a 1.00% fixed interest rate per annum and has a maturity date of April 17, 2022, however, the School may apply to the Bank for forgiveness on the amount due. The note has a six-month deferral period and during the period (the "deferral period") beginning on the date of this note and ending on the 6-month anniversary of the date of this note (the "deferral expiration date"), interest on the outstanding principal balance will accrue at the fixed rate, but neither principal nor interest shall be due and payable during the deferral period. This loan was forgiven on September 3, 2021.

There is no repayment schedule for the net pension liability and net OPEB liability. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

NOTE 14 – PURCHASED SERVICES

For the fiscal year ended June 30, 2021, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	$ 2,135,392
Property Services	673,264
Communications	716
Utilities	76,261
Contracted Craft or Trade Service	145,400
Pupil Transportation	17,574
Total	$ 3,048,607

NOTE 15 – OPERATING LEASES

As of July 2012, the School entered into an agreement with Friends of Breakthrough Schools to occupy and use its current building at 9201 Crane Avenue, Cleveland, Ohio 44105.

In April 2013, the School amended its original school building lease with the Friends of Breakthrough Schools. The original lease did not reflect the current market value of real estate within the region. The School's Board and finance committee along with the Breakthrough Public Schools' Board and finance committee researched comparable market values to determine the agreed rents. The amended lease increased the base rent from $0.24/sq ft to $11.00/sq ft. This increase in base rent was driven by the current market rates and the Board's desire to maintain their current building location.

In December 2013, the School entered into an amended lease agreement with Friends of Breakthrough Real Estate, LLC extending the term of lease through June 30, 2034 or the termination of the Breakthrough Public Schools agreement.

Rent related expenses under the lease were $568,469 for the fiscal year ended June 30, 2021.

During the remainder of the lease term, the annual rent expense of $568,469.

NOTE 16 – FISCAL AGENT

The Academic and Business Services Agreement states Breakthrough Public Schools (BPS) shall be responsible and accountable for the following financial functions:

- Provision of a licensed fiscal officer (treasurer);
- Payment of school expenditures with school funds;
- Maintenance of adequate cash balances to cover payroll and payments to vendors; and
- Payroll.

NOTE 17 – COVID-19

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

NOTE 18 – SUBSEQUENT EVENT NOTE

On September 3, 2021 PNC Bank, National Association granted forgiveness of the full amount of the loan payable due in the amount of $970,500.

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school.

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

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

	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0096129%	0.0117359%	0.0100660%	0.0115887%	0.0100642%	0.0130810%	0.011807%	0.011807%
School's Proportionate Share of the Net Pension Liability	$ 635,817	$ 702,179	$ 576,497	$ 692,399	$ 736,608	$ 746,414	$ 597,545	$ 702,125
School's Covered Payroll	$ 350,057	$ 388,067	$ 372,341	$ 353,950	$ 312,557	$ 393,801	$ 343,081	$ 372,818
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.63%	180.94%	154.83%	195.62%	235.67%	189.54%	174.17%	188.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

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

	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.02873677%	0.03067216%	0.03184959%	0.03230213%	0.03107514%	0.02754233%	0.01980399%	0.01980399%
School's Proportionate Share of the Net Pension Liability	$ 6,953,276	$ 6,782,963	$ 7,003,010	$ 7,673,440	$ 10,401,786	$ 7,611,895	$ 4,817,016	$ 5,737,997
School's Covered Payroll	$ 3,468,079	$ 3,601,029	$ 3,620,757	$ 3,602,979	$ 3,311,343	$ 2,935,686	$ 2,023,423	$ 935,600
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	193.41%	212.97%	314.13%	259.29%	238.06%	613.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions - Pension
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 36,036	$ 49,008	$ 52,389	$ 50,266	$ 49,553	$ 43,758	$ 51,903	$ 47,551	$ 51,598
Contributions in Relation to the Contractually Required Contribution	(36,036)	(49,008)	(52,389)	(50,266)	(49,553)	(43,758)	(51,903)	(47,551)	(51,598)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ 257,400	$ 350,057	$ 388,067	$ 372,341	$ 353,950	$ 312,557	$ 393,801	$ 343,081	$ 372,818
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions - Pension
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 508,416	$ 485,531	$ 504,144	$ 506,906	$ 504,417	$ 463,588	$ 410,996	$ 263,045	$ 121,628
Contributions in Relation to the Contractually Required Contribution	(508,416)	(485,531)	(504,144)	(506,906)	(504,417)	(463,588)	(410,996)	(263,045)	(121,628)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ 3,631,543	$ 3,468,079	$ 3,601,029	$ 3,620,757	$ 3,602,979	$ 3,311,343	$ 2,935,686	$ 2,023,423	$ 935,600
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

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

	2021	2020	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.0100125%	0.0111000%	0.0091970%	0.0109878%	0.0095487%
School's Proportionate Share of the Net OPEB Liability	$ 217,604	$ 279,143	$ 255,149	$ 294,884	$ 272,173
School's Covered Payroll	$ 350,057	$ 388,067	$ 372,341	$ 353,950	$ 312,557
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	62.16%	71.93%	68.53%	83.31%	87.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability/Asset
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
School's Proportion of the Net OPEB Liability/Asset	0.02873677%	0.03067216%	0.03184959%	0.03230213%	0.03107514%
School's Proportionate Share of the Net OPEB Liability/(Asset)	$ (505,049)	$ (508,004)	$ (511,791)	$ 1,260,309	$ 1,661,907
School's Covered Payroll	$ 3,468,079	$ 3,601,029	$ 3,620,757	$ 3,602,979	$ 3,311,343
School's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	34.98%	50.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	182.13%	174.74%	176.00%	47.11%	37.30%

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

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

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions - OPEB
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution (1)	$ -	$ 6,608	$ 4,370	$ 2,323	$ 7,144	$ 461	$ 3,230	$ 652	$ 596
Contributions in Relation to the Contractually Required Contribution	-	(6,608)	(4,370)	(2,323)	(7,144)	(461)	(3,230)	(652)	(596)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
School Covered Payroll	$ -	$ 350,057	$ 388,067	$ 372,341	$ 353,950	$ 312,557	$ 393,801	$ 343,081	$ 372,818
OPEB Contributions as a Percentage of Covered Payroll (1)	0.00%	1.89%	1.13%	0.62%	2.02%	0.15%	0.82%	0.19%	0.16%

(1) Includes Surcharge

(2) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS
CUYAHOGA COUNTY, OHIO

Required Supplementary Information
Schedule of School Contributions - OPEB
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,716	$ 6,434
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	(10,716)	(6,434)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ -	$ 3,468,079	$ 3,601,029	$ 3,620,757	$ 3,602,979	$ 3,311,343	$ 2,935,686	$ 2,023,423	$ 935,600
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2021.

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

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

Changes in benefit terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2021.

Changes in assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2021. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Net OPEB Liability

Changes of benefit terms- SERS

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

Changes in Assumptions – SERS

Amounts reported for fiscal years 2018-2021 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent
Medicare Trend Assumption	
Medicare	
Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent
Pre - Medicare	
Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

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.

For fiscal year 2020 and 2021, the health care cost trend rates were modified.

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 premium reimbursements will be discontinued beginning January 2020.

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

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

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

BREAKTHROUGH CHARTER SCHOOLS:
VILLAGE PREPARATORY SCHOOL - WOODLAND HILLS CAMPUS
CUYAHOGA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal AL Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	3L70	$ 37,414
COVID-19 School Breakfast Program		3L70	14,478
Total - School Breakfast Program			51,892
National School Lunch Program	10.555	3L60	60,594
COVID-19 National School Lunch Program		3L60	22,627
Total - National School Lunch Program			83,221
Total - Child Nutrition Cluster			135,113
Fresh Fruit and Vegetable Program	10.582	N/A	8,558
Total U.S. Department of Agriculture			**143,671**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Special Education Cluster:			
Special Education Grants to States	84.027	H027A200111	204,743
Title I Grant to Local Educational Agencies	84.010	S010A200035	783,401
Equal Opportunities for Every Child	84.010	N/A	19,355
			802,756
Supporting Effective Instruction State Grant	84.367	S367A200034	97,468
Title IV-A Student Support and Academic Enrichment Program	84.424	S424A200036	53,076
Elementary and Secondary School Emergency Relief Fund I	84.425D	S425D200035	293,105
Twenty-First Century Community Learning Centers	84.287	N/A	112,823
Total U.S. Department of Education			**1,563,971**
U.S. DEPARTMENT OF TREASURY			
Passed Through Ohio Department of Education:			
Coronavirus Relief Fund	21.019	N/A	24,659
BroadBand Ohio Connectivity	21.019	N/A	45,986
Total U.S. Department of Treasury			**70,645**
Total Expenditures of Federal Awards			**$ 1,778,287**

The accompanying notes are an integral part of this schedule.

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS CAMPUS
CUYAHOGA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Breakthrough Public Schools: Village Preparatory School – Woodland Hills Campus, Cuyahoga County, Ohio (the School) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

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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*

Village Preparatory School – Woodland Hills Campus
Cuyahoga County
9201 Crane Avenue
Cleveland, Ohio 44105

To the Board of Directors:

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 Village Preparatory School - Woodland Hills Campus, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 12, 2022, wherein we 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

May 12, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Village Preparatory School - Woodland Hills Campus
Cuyahoga County
9201 Crane Avenue
Cleveland, Ohio 44105

To the Board of Directors:

Report on Compliance for the Major Federal Programs

We have audited Village Preparatory School - Woodland Hills Campus's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Village Preparatory School - Woodland Hills Campus's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal programs.

Management's Responsibility

The School's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Programs

In our opinion, Village Preparatory School - Woodland Hills Campus complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

May 12, 2022

BREAKTHROUGH PUBLIC SCHOOLS:
VILLAGE PREPARATORY SCHOOL – WOODLAND HILLS CAMPUS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	➢ Title I Grants to Local Educational Agencies, AL 84.010 ➢ COVID-19 Elementary and Secondary School Emergency Relief Fund I, AL 84.425
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

OHIO AUDITOR OF STATE
KEITH FABER

VILLAGE PREPARATORY SCHOOL - WOODLAND HILLS CAMPUS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 6/7/2022

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