OHIO AUDITOR OF STATE
KEITH FABER

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

L. Hollingworth School for the Talented and Gifted
Lucas County
653 Miami Street
Toledo, Ohio 43605

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of L. Hollingworth School for the Talented and Gifted, Lucas 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 thereof 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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

March 29, 2022

As management of the L. Hollingworth School for the Talented and Gifted (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School 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 the School are as follows:

- Ending net position of the School was negative $2.4 million, an increase of $248,929 in comparison with the prior fiscal year-end.
- Total assets increased $187,184 from the prior year and total liabilities decreased $95,831 during this same 12-month period.
- Total revenues increased by $618,743 compared to those reported for the prior fiscal year while total expenses decreased by $140,033 during the same period
- The School's operating loss for fiscal year 2021 was $1.4 million.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Reporting the School's Financial Activities

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The statement of cash flows provides information about how the School is meeting the cash flow needs of its operations.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Financial Analysis

Table 1 provides a summary of the School's net position for 2021 and 2020:

Table 1
Net Position at Year End

	2021	2020
Assets:		
Current Assets	$ 898,554	$ 560,023
Nondepreciable Capital Assets	48,200	48,200
Capital Assets, Net	3,926,699	4,088,615
Net OPEB Asset	175,961	165,392
Total Assets	5,049,414	4,862,230
Deferred Ouflows of Resources	825,009	932,353
Liabilities		
Current Liabilities	444,631	382,486
Non-Current Liabilities	7,466,933	7,624,909
Total Liabilities	7,911,564	8,007,395
Deferred Inflows of Resources	405,024	478,282
Net Position:		
Net Investment in Capital Assets (Deficit)	(95,543)	(35,421)
Restricted	212,109	122,878
Unrestricted (Deficit)	(2,558,731)	(2,778,551)
Total Net Position (Deficit)	$ (2,442,165)	$ (2,691,094)

Current Assets increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in cash and cash equivalents and intergovernmental receivables as a result of COVID-19 grant funding.

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources related to pensions/OPEB all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and actual pension plan investment returns.

Table 2 provides a summary of the School's change in net position for 2021 and 2020:

Table 2
Changes in Net Position

	2021	2020
Operating Revenues:		
Foundation Revenues	$ 2,108,151	$ 2,460,541
Other Unrestricted Grants-in-Aid	82,237	101,114
Other	50,847	23,613
Total Operating Revenues	2,241,235	2,585,268
Operating Expenses:		
Salaries and Wages	1,620,622	1,655,225
Fringe Benefits	868,414	947,889
Purchased Services	693,866	739,544
Materials and Supplies	126,041	99,660
Depreciation	241,008	226,349
Other	52,219	65,174
Total Operating Expenses	3,602,170	3,733,841
Operating Income (Loss)	(1,360,935)	(1,148,573)
Nonoperating Revenues (Expenses)		
Federal Grants	776,943	530,038
State Grants	705,907	356,863
Gain on Forgiveness of Debt	345,300	-
Other Revenue	21,527	-
Interest and Fiscal Charges	(239,813)	(248,175)
Total Nonoperating Revenues (Expenses)	1,609,864	638,726
Change in Net Position	248,929	(509,847)
Net Position, Beginning of Year (Deficit)	(2,691,094)	(2,181,247)
Net Position, End of the Year (Deficit)	$ (2,442,165)	$ (2,691,094)

Foundation Revenues and Total Operating Expenses both decreased significantly in fiscal year 2021. These decreases are primarily the result of a decrease in enrollment from 342 students in fiscal year 2020 to 291 students in fiscal year 2021.

State Grants increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the School receiving a Quality Community Support state grant in fiscal year 2021.

Capital Assets

At fiscal year-end, the School's net capital asset balance was $4.0 million, a decrease of $161,916 in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation and disposals exceeded current year acquisitions. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

At fiscal year-end, the School's loan payable balance was $4.0 million, a decrease of $492,797 in comparison with the prior fiscal year-end. This decrease represents principal payments of $147,497 and PPP loan forgiveness of $345,300. For more information on the School's loan payable, see Note 6 to the basic financial statements.

Current Financial Issues

The School is dependent upon legislative and governmental support to fund ongoing operations. The School is expected to grow in both the number of students and support staff, which will impact the School's funding since the School receives a majority of its financial support from per student state foundation payments.

Contacting the School

This financial report is designed to provide a general overview of the finances of the L Hollingworth School for the Talented and Gifted and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of L Hollingworth School for the Talented and Gifted, 653 Miami Street, Toledo, Ohio 43605.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

Assets:	
Current Assets	
Cash and Cash Equivalents	$ 723,614
Intergovernmental Receivable	173,012
Prepaid Items	1,928
Total Current Assets	898,554
Noncurrent Assets	
Nondepreciable Capital Assets	48,200
Depreciable Capital Assets, Net	3,926,699
Net OPEB Asset	175,961
Total Noncurrent Assets	4,150,860
Total Assets	5,049,414
Deferred Outflows of Resources:	
Pension	703,508
OPEB	121,501
Total Deferred Outflows of Resources	825,009
Liabilities:	
Current Liabilities	
Accounts Payable	38,927
Accrued Wages and Benefits Payable	204,636
Intergovernmental Payable	29,943
Capital Lease Payable	14,764
Loans Payable	156,361
Total Current Liabilities	444,631
Noncurrent Liabilities:	
Capital Lease Payable	36,911
Loan Payable	3,862,406
Net Pension Liability	3,294,379
Net OPEB Liability	273,237
Total Noncurrent Liabilities	7,466,933
Total Liabilities	7,911,564
Deferred Inflows of Resources:	
Pension	27,263
OPEB	377,761
Total Deferred Inflows of Resources	405,024
Net Position:	
Net Investment in Capital Assets (Deficit)	(95,543)
Restricted	212,109
Unrestricted (Deficit)	(2,558,731)
Total Net Position (Deficit)	$ (2,442,165)

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating Revenues:	
Foundation Revenues	$ 2,108,151
Other Unrestricted Grants-in-Aid	82,237
Classroom Fees	640
Miscellanous	50,207
Total Operating Revenues	2,241,235
Operating Expenses:	
Salaries and Wages	1,620,622
Fringe Benefits	868,414
Purchased Services	693,866
Materials and Supplies	126,041
Depreciation	241,008
Other	52,219
Total Operating Expenses	3,602,170
Operating Loss	(1,360,935)
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	776,943
State Grant Revenue	705,907
Other Revenue	21,527
Gain on Forgiveness of Debt	345,300
Interest and Fiscal Charges	(239,813)
Total Non-Operating Revenues (Expenses)	1,609,864
Change in Net Position	248,929
Net Position Beginning of Year (Deficit)	(2,691,094)
Net Position End of Year (Deficit)	$ (2,442,165)

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 2,189,669
Received from Classroom Fees	640
Received from Miscellaneous	50,207
Payments to Suppliers for Goods and Services	(800,483)
Payments to Employees for Services and Benefits	(2,130,808)
Payments for Other Operating Disbursements	(48,482)
Net Cash Used for Operating Activities	(739,257)
Cash Flows from Noncapital Financing Activities:	
Received from Federal Grants	672,842
Received from State Grants	705,907
Net Cash Provided by Noncapital Financing Activities	1,378,749
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(9,302)
Received from Other	12,204
Payments for Loan and Lease Principal	(162,261)
Payments for Loan and Lease Interest	(239,813)
Net Cash Used for Capital and Related Financing Activities	(399,172)
Net Increase in Cash and Cash Equivalents	240,320
Cash and Cash Equivalents at Beginning of Year	483,294
Cash and Cash Equivalents at End of Year	$ 723,614

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (1,360,935)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	241,008
Changes in Assets and Liabilities:	
Accounts Receivable	3,813
Prepaid Items	8,116
Intergovernmental Receivable	(6,039)
Accounts Payable	21,556
Accrued Wages and Benefits Payable	26,990
Intergovernmental Payable	(7,469)
Net Pension Liability and Related Deferrals	336,498
Net OPEB Asset/Liability and Related Deferrals	(2,795)
Net Cash Used for Operating Activities	$ (739,257)

Schedule of noncash transactions:

The School acquired capital assets through a lease totaling $73,822.

During the fiscal year, the School's PPP loan totaling $345,300 was forgiven.

See accompanying notes to the basic financial statements.

Note 1 – Description of the School and Reporting Entity

L. Hollingworth School for the Talented and Gifted (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 and aspires to create an educational environment that provides academic acceleration, personalized support, authentic assessment, and school-wide differentiated learning activities. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The Buckeye Community Hope Foundation is the School's sponsor. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 11 non-certified and 26 certificated full time teaching personnel who provided services to 291 students during the 2020-2021 school year.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the Statement of Net Position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as 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.

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

C. 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 budgetary provisions set forth in 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 of Ohio Revised Code 5705; therefore no budgetary information is presented in the financial statements.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Capital Assets

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

All reported capital assets are depreciated, except land and construction in progress. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Land Improvements	10-25 years
Buildings and Building Improvements	25 years
Computers and Equipment	5 years

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

G. Intergovernmental Revenue

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. The State distributes, among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. The proceeds received from the State's tax on casino revenue are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants comprise the non-operating revenues of the School. Interest and fiscal charges and loss on disposal of assets, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Position relating to expenses, which are due but unpaid as of June 30, 2021, including:

Wages and benefits payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2021 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2021.

Intergovernmental payable – payment for the employer's share of the retirement contribution, and Medicare associated with services rendered during fiscal year 2021 that were paid in the subsequent fiscal year.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions are explained in Note 9 and Note 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension and OPEB is explained in Note 9 and Note 10.

K. Pensions and Other Postemployment Benefits (OPEB)

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

L. Net Position

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

M. Prepaid Assets

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

Note 3 – Deposits

At June 30, 2021, the carrying amount of the School's deposits was $723,614 and bank balance was $799,951. $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Note 4 – Intergovernmental Receivables

All intergovernmental receivables are considered collectable in full due to the stable condition of State programs. The principal items of receivables at June 30, 2021 is as follows:

Source	Amount
Retirement System Overpayment	$ 9,725
Foundation Adjustment	809
ESSER	97,652
CRF	11,454
IDEA-B	11,075
Schoolwide Pooling	42,297
	$ 173,012

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 is as follows:

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 48,200	$ -	$ -	$ 48,200
Total Nondepreciable Capital Assets	48,200	-	-	48,200
Depreciable Capital Assets:				
Land Improvements	178,073	-	-	178,073
Buildings and Building Improvements	4,968,441	-	-	4,968,441
Computers and Equipment	141,489	83,124	(13,439)	211,174
Total Depreciable Capital Assets	5,288,003	83,124	(13,439)	5,357,688
Less Accumulated Depreciation:				
Land Improvements	(20,164)	(7,610)	-	(27,774)
Buildings and Building Improvements	(1,061,279)	(198,736)	-	(1,260,015)
Computers and Equipment	(117,945)	(34,662)	9,407	(143,200)
Total Accumulated Depreciation	(1,199,388)	(241,008)	9,407	(1,430,989)
Total Depreciable Capital Assets, Net	4,088,615	(157,884)	(4,032)	3,926,699
Total Capital Assets	$ 4,136,815	$ (157,884)	$ (4,032)	$ 3,974,899

Note 6 – Loan Payable

Changes in the School's loan obligations during the fiscal year were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Loan Payable-2017	$ 4,166,264	$ -	$ (147,497)	$ 4,018,767	$ 156,361
PPP Loan	345,300	-	(345,300)	-	-
Total	$ 4,511,564	$ -	$ (492,797)	$ 4,018,767	$ 156,361

On June 4, 2014, the School entered into a Master Construction to Term Loan and Security Agreement with Raza Development Fund, Inc. The School acquired a two-story approximately 60,000 square foot facility on a 1.72 acre site at 653 Miami Street in Toledo, Ohio.

On July 25, 2017, the School refinanced their outstanding debt with Raza Development Fund, Inc. The new loan assisted the School in re-purposing a .02 acre parcel into 10 parking spaces. The Construction Loan and Term Loan are evidenced by a promissory note and is secured by a mortgage on the property. Upon issuance, the School was charged a 1% origination fee totaling $45,600. The Construction Loan carries an interest rate of 5.85% and matures on August 15, 2032.

Subject to terms and conditions outlined in the Master Construction to Term Loan and Security Agreement, on July 25, 2017, the Construction Loan was converted to a Term Loan for $4,560,000. The interest rate on the Term Loan is 5.85%. The maturity date of the Term Loan will be fifteen years after the conversion date. The Term Loan will be repaid with monthly principal and interest payments of $32,276, beginning on September 1, 2017 through maturity. The amount will be fully amortized over 20 years, with a balloon payment of approximately $1,652,523 due at the end of the fifteen-year term.

The School has pledged the property as collateral for the debt.

In the event of default, Raza Development Fund, Inc. may exercise the following rights and remedies:

1. The School may be required to pay the entire unpaid balance.
2. Raza Development Fund, Inc. may enter the property.
3. The School may be liable to pay upon demand to Raza Development Fund, Inc. all out-of-pocket expenses.

Debt-service-to-maturity requirements to retire the loan are as follows:

Fiscal Year Ended June 30:	Principal	Interest	Total
2022	156,361	230,950	$ 387,311
2023	165,757	221,553	387,310
2024	175,718	211,592	387,310
2025	186,278	201,033	387,311
2026	197,472	189,838	387,310
2027-2031	1,180,287	756,266	1,936,553
2032-2033	1,956,894	118,976	2,075,870
Total	$ 4,018,767	$ 1,930,208	$ 5,948,975

The School’s PPP loan was forgiven in fiscal year 2021.

Note 7 – Capital Lease

The School has entered into a lease agreement with Wells Fargo for the lease of one copier with accessories. The term of the lease was 60 months and commenced on December 2019, with required payments of $1,230 per month. Lease payments during the fiscal year totaled $14,764.

The following is a schedule of the future payments required under the capital lease as of June 30, 2021:

Year Ended	Copiers
June 30, 2022	14,764
June 30, 2023	14,764
June 30, 2024	14,764
June 30, 2025	7,383
Total	$ 51,675

Note 8 – Risk Management

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2021, the School contracted with Hanover Insurance Group for its insurance coverage as follows:

General Liability:	
Building and Contents	$ 6,011,578
Per Occurrence	1,000,000
Damage to Rented Premises	100,000
Med Exp	15,000
Personal & Adv Injury	1,000,000
General Aggregate/Products	3,000,000
Umbrella Liability:	
Each Occurrence/Aggregate	2,000,000
Workers Compensation & Employers' Liability:	
Each Accident/Disease	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000

There was no significant reduction in coverage during the year. Settlement amounts have not exceeded coverage amounts during the prior three fiscal years.

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

The School carries their life, vision and dental insurance through Lincoln Financial Group, and their medical insurance through Paramount Health Care. The School pays 70% of medical, dental and vision benefits for most employees. The School pays 100% of medical, dental and vision benefits for eligible full-time administrative staff. The annual cost of medical insurance is based upon gender and age.

Note 9 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* 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*.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.
The School contractually required contribution to SERS was $69,656 for fiscal year 2021. Of this amount, $2,768 is reported as an intergovernmental payable.

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. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.
A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The School contractually required contribution to STRS was $156,558 for fiscal year 2021. Of this amount, $22,382 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01317950%	0.01001246%	
Prior Measurement Date	0.01224370%	0.00998550%	
Change in Proportionate Share	0.00093580%	0.00002696%	
Proportionate Share of the Net Pension Liability	$ 871,720	$ 2,422,659	$ 3,294,379
Pension Expense	$ 111,037	$ 451,675	$ 562,712

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

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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	$ 1,692	$ 5,438	$ 7,130
Net Difference between Projected and Actual Earnings on Pension Plan Investments	55,337	117,815	173,152
Changes of Assumptions	-	130,050	130,050
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	33,415	133,547	166,962
School Contributions Subsequent to the Measurement Date	69,656	156,558	226,214
Total Deferred Outflows of Resources	$ 160,100	$ 543,408	$ 703,508
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ -	$ 15,493	$ 15,493
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	11,770	-	11,770
Total Deferred Inflows of Resources	$ 11,770	$ 15,493	$ 27,263

$226,214 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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	$ 9,186	$ 163,032	$ 172,218
2023	29,096	74,635	103,731
2024	23,067	79,711	102,778
2025	17,325	53,979	71,304
	$ 78,674	$ 371,357	$ 450,031

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.

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:

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

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset 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
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 Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	$ 1,194,150	$ 871,720	$ 601,195

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, are presented below:

Inflation	2.50 percent
Acturial Cost Method	Entry Age Normal (Level Percent of Payroll)
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	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is 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. 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 %	

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

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the School Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	$ 3,449,445	$ 2,422,659	$ 1,552,544

Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. The School District's liability is 6.2 percent of wages paid.

Note 10 – Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School surcharge obligation was $2,188, which is reported as an intergovernmental payable.

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 were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

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

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.01257200%	0.01001200%	
Prior Measurement Date	0.01259100%	0.00998600%	
Change in Proportionate Share	-0.00001900%	0.00002600%	
Proportionate Share of the Net OPEB Liability (Asset)	$ 273,237	$ (175,961)	
OPEB Expense	$ 869	$ (1,476)	$ (607)

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	$ 3,590	$ 11,276	$ 14,866
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,080	6,165	9,245
Changes of Assumptions	46,576	2,904	49,480
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	12,406	33,316	45,722
School Contributions Subsequent to the Measurement Date	2,188	-	2,188
Total Deferred Outflows of Resources	$ 67,840	$ 53,661	$ 121,501
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 138,956	$ 35,050	$ 174,006
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	-	-
Changes of Assumptions	6,883	167,134	174,017
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	25,290	4,448	29,738
Total Deferred Inflows of Resources	$ 171,129	$ 206,632	$ 377,761

$2,188 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	$ (20,375)	$ (36,455)	$ (56,830)
2023	(20,152)	(32,281)	(52,433)
2024	(20,189)	(30,820)	(51,009)
2025	(22,039)	(36,008)	(58,047)
2026	(17,172)	(8,910)	(26,082)
Thereafter	(5,550)	(8,497)	(14,047)
	$ (105,477)	$ (152,971)	$ (258,448)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	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 plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

Sensitivity of the School Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 334,428	$ 273,237	$ 224,579

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 215,148	$ 273,237	$ 350,902

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 are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	Initial	Ultimate
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 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.

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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 %	

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

Sensitivity of the School Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 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 of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (153,097)	$ (175,961)	$ (195,360)

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (194,155)	$ (175,961)	$ (153,797)

Benefit Term Changes since the Prior Measurement Date There were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent 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 .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Note 11 – Restricted Net Position

At June 30, 2021, the School reported restricted net position totaling $212,109. The nature of the net position restrictions are as follows:

Food Service	$ 57,120
Miscellaneous State Grant	2,507
Strudent Wellness and Success	152,482
Total	$ 212,109

Note 12 – Contingencies

A. Grants Review - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2021, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.
As of the date of this report, additional ODE adjustments for fiscal year 2021 have been finalized and the adjustment amount is reported as an intergovernmental receivable on the financial statements.

In addition, the School's contract with their Sponsor requires payments based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2021 have been completed. The impact on the fiscal year 2021 financial statements, related to the additional reconciliation necessary with this contract, is not material to the financial statements.

Note 13 – Contracted Fiscal Services

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve-month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.

2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.

3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

In addition, M&A provides various business and operations support services to the School.

Note 14 – Purchased Services

During the fiscal year, purchased service expense consisted of the following:

Advertising	$ 1,909
Contracted Food Services	95,238
Data Processing Services	11,922
Electricity	25,197
Garbage Removal and Cleaning Services	41,176
Gas	11,543
Health Services	98,945
Instructional Improvement Services	5,536
Internet Access Service	25,425
Lease Purchase Agreements	13,708
Management Services	72,119
Other Communications Service	19,294
Other Professional and Technical Services	232,404
Other Property Service	11,961
Other Pupil Transportation	190
Postage	575
Proffessional/Legal Services	6,683
Repairs and Maintenance Services	11,615
Staff Services	210
Telephone Service	2,991
Water	5,225
Total	**$693,866**

Note 15 - Change in Accounting Principles

For the fiscal year ended June 30, 2021, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61,* certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and GASB Statement No. 98*, The Annual Comprehensive Financial Report.*

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the School.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School.

GASB Statement No. 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of GASB Statement No. 98 did not have an effect on the financial statements of the School.

Note 16 - Subsequent Event:

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. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Note 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. The School's investment of the pension and other employee benefits plan in which the School participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF 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	0.0131795%	0.0122437%	0.0133391%	0.0125533%	0.012211%	0.011627%	0.010561%	0.010561%
School's Proportionate Share of the Net Pension Liability	$ 871,720	$ 732,562	$ 763,955	$ 750,032	$ 893,703	$ 663,436	$ 534,486	$ 628,029
School's Covered Payroll	$ 456,943	$ 420,330	$ 433,789	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.77%	174.28%	176.11%	184.17%	232.35%	192.90%	173.52%	214.81%
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.

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

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF 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	0.01001246%	0.00998550%	0.00965267%	0.00902206%	0.00822365%	0.00728584%	0.00522783%	0.00522783%
School's Proportionate Share of the Net Pension Liability	$ 2,422,659	$ 2,208,233	$ 2,122,405	$ 2,143,210	$ 2,752,704	$ 2,013,593	$ 1,271,589	$ 1,514,709
School's Covered Payroll	$ 1,198,286	$ 1,178,409	$ 1,094,644	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.18%	187.39%	193.89%	213.14%	298.02%	248.19%	231.85%	293.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 69,656	$ 63,972	$ 56,745	$ 58,561	$ 57,015	$ 53,848	$ 45,331	$ 42,692	$ 40,465	$ 37,784
Contributions in Relation to the Contractually Required Contribution	$ 69,656	$ 63,972	$ 56,745	$ 58,561	$ 57,015	$ 53,848	$ 45,331	$ 42,692	$ 40,465	$ 37,784
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 497,543	$ 456,943	$ 420,330	$ 433,789	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371	$ 280,918
Pension 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%	13.45%

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 156,558	$ 167,760	$ 164,977	$ 153,250	$ 140,777	$ 129,312	$ 113,583	$ 71,299	$ 67,004	$ 51,268
Contributions in Relation to the Contractually Required Contribution	$ 156,558	$ 167,760	$ 164,977	$ 153,250	$ 140,777	$ 129,312	$ 113,583	$ 71,299	$ 67,004	$ 51,268
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 1,118,271	$ 1,198,286	$ 1,178,409	$ 1,094,644	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412	$ 394,366
Pension 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%	13.00%

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF 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	0.0125720%	0.0125910%	0.0134846%	0.0126929%	0.0124347%
School's Proportionate Share of the Net OPEB Liability	$ 273,237	$ 316,635	$ 374,099	$ 340,644	$ 354,434
School's Covered Payroll	$ 456,943	$ 420,330	$ 433,786	$ 407,250	$ 384,631
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	59.80%	75.33%	86.24%	83.64%	92.15%
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.

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

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF 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)	0.01001200%	0.00998600%	0.00965267%	0.00902206%	0.00822365%
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (175,961)	$ (165,392)	$ (155,109)	$ 352,008	$ 439,803
School's Covered Payroll	$ 1,198,286	$ 1,178,409	$ 1,094,644	$ 1,005,549	$ 923,660
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.68%	-14.04%	-14.17%	35.01%	47.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution (1)	$ 2,188	$ 2,855	$ 9,990	$ 9,241	$ 6,706	$ 6,103	$ 9,076	$ 5,883	$ 5,648	$ 7,062
Contributions in Relation to the Contractually Required Contribution	$ 2,188	$ 2,855	$ 9,990	$ 9,241	$ 6,706	$ 6,103	$ 9,076	$ 5,883	$ 5,648	$ 7,062
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 497,543	$ 456,943	$ 420,330	$ 433,786	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371	$ 280,918
Pension Contributions as a Percentage of Covered Payroll (1)	0.44%	0.62%	2.38%	2.13%	1.65%	1.59%	2.64%	1.91%	1.93%	2.51%

(1) Amounts include surcharge except for fiscal years 2010 and 2011 which surcharge information was unavailable

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,485	$ 5,154	$ 3,944
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,485	$ 5,154	$ 3,944
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 1,118,271	$ 1,198,286	$ 1,178,409	$ 1,094,644	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412	$ 394,366
Pension 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%	1.00%

See accompanying notes to the required supplementary information

NOTE 1 – NET PENSION LIABILITY

Changes in Assumptions - SERS

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

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

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

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

NOTE 2 – NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 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

Pre-Medicare

Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent 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 .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

For fiscal year 2020, 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 2019, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

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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*

L. Hollingworth School for the Talented and Gifted
Lucas County
653 Miami Street
Toledo, Ohio 43605

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 L. Hollingworth School for the Talented and Gifted, Lucas 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 March 29, 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

March 29, 2022

OHIO AUDITOR OF STATE
KEITH FABER

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 4/12/2022

88 East Broad Street, Columbus, Ohio 43215
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