YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
JUNE 30, 2019

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Youthbuild Columbus Community School
Franklin County
1183 Essex Avenue
Columbus, Ohio 43201

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Youthbuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2019, 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 respective financial position of the business-type activities of the Youthbuild Columbus Community School, Franklin County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 October 14, 2020, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

October 14, 2020

Our discussion and analysis of YouthBuild Columbus Community School (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2019. 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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Total Net Position increased $482,941, or 21% from 2018.
- Total Liabilities decreased $764,748, or 28%, while total assets slightly increased $442 from 2018.
- Total operating revenue increased from $932,211 in fiscal year 2018 to $1,605,186 in fiscal year 2019, a 72% increase. This is due to enrollment and foundation revenue increasing from FY 18 to FY 19.
- Total expenses decreased from $1,336,681 in fiscal year 2018 to $1,225,637 in fiscal year 2019, a decrease in amount of $111,044.
- The School has $1,388,453 in long term liabilities as of June 30, 2019.

Using this Financial Report

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

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2019. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net position and changes in net position. This change in Net Position is important because it tells the reader whether 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. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, cash flow, required educational programs and other factors.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2019.

This statement 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 economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position as of June 30, 2019 compared to the prior year.

Table 1 - Net Position

	2019	2018
ASSETS		
Current Assets	$ 71,368	$ 41,796
Net OPEB Asset	56,822	-
Capital Assets, Net	891,665	977,617
Total Assets	1,019,855	1,019,413
DEFERRED OUTFLOWS OF RESOURCES		
Pension	338,250	398,313
OPEB	10,831	10,982
Total Deferred Outflows of Resources	349,081	409,295
LIABILITIES		
Current Liabilities	624,367	623,476
Long-term liabilities:		
Other Long-term liabilities	169,910	206,035
Net Pension Liability	1,083,272	1,559,561
Net OPEB Liability	135,271	388,496
Total Liabilities	2,012,820	2,777,568
DEFERRED INFLOWS OF RESOURCES		
Pension	795,163	708,177
OPEB	332,763	197,714
Total Deferred Outflows of Resources	1,127,926	905,891
NET POSITION		
Investment in Capital Assets	883,502	966,321
Unrestricted (Deficit)	(2,655,312)	(3,221,072)
Total Net Position	$ (1,771,810)	$ (2,254,751)

The net pension liability (NPL), net OPEB liability (NOL), and Net OPEB asset and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Capital assets decreased by $85,952 due to current year depreciation. Also, current assets increased $29,572, or 71% from 2018. This was due to increases in cash and cash equivalents, intergovernmental receivables and materials and supplies inventory during fiscal year 2019. Liabilities decreased by $764,748 and net position increased by $482,941 in 2019. The changes in Net OPEB asset, deferred inflows of resources, Net Pension Liability, Net OPEB Liability and deferred outflows of resources are due to the reporting of GASB Statements No. 68 and 75 as previously discussed.

Statement of Revenues, Expenses, and Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2019, as well as a listing of revenues and expenses. 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 cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

This space intentionally left blank

Table 2 - Change in Net Position

	2019	2018
OPERATING REVENUES		
State Foundation	$ 1,560,355	$ 900,989
Other State Aid	29,437	19,861
Other Operating Revenues	15,394	11,361
Total Operating Revenues	1,605,186	932,211
OPERATING EXPENSES		
Program Expenses:		
Salaries	-	7,275
Fringe Benefits	-	2,251
Pension/OPEB Expense	(504,087)	(197,146)
Purchased Services: Salaries and Benefits	773,845	715,266
Purchased Services: Management Fees	276,787	182,444
Sponsorship Fees	44,249	24,030
Auditing and Accounting	59,337	55,712
Other Professional Services	165,932	148,633
Other Purchased Services	218,403	233,701
Materials and Supplies	63,441	46,902
Depreciation	85,952	90,285
Other	41,778	27,328
Total Operating Expenses	1,225,637	1,336,681
Operating Income (Loss)	379,549	(404,470)
NON-OPERATING REVENUES (EXPENSES)		
Grants	120,455	138,204
Interest Income	24	-
Interest on Notes Payable	(17,087)	(20,406)
Total Non-operating Revenues (Expenses)	103,392	117,798
Change in Net Position	482,941	(286,672)
Net Position - Beginning of Year	(2,254,751)	(1,968,079)
Net Position - End of Year	$ (1,771,810)	$ (2,254,751)

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up over 99% of all revenues for the School in fiscal year 2019. Revenues increased from fiscal year 2018 due to increases in enrollment (82 students in fiscal year 2018 vs. 123 students in fiscal year 2019).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the School has $891,665 in total net capital assets. The largest capital asset is the school building. See Note 4 to the basic financial statements.

Debt

At June 30, 2019, the School had $197,872 in outstanding debt due to J. P. Morgan Chase Bank for a mortgage on the school building, and $8,163 due to Konica Minolta for a capital lease. See Notes 12 and 15 in the notes to the basic financial statements.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase. Enrollment for the school is at 123 students as of June 2019, an increase of 41 from June 2018. But future revenue increases are cautious due to the susceptibility of changes in Ohio's funding model.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Dan Lamb, Treasurer of YouthBuild Columbus Community School, Charter School Specialists, 40 Hill Road South, Pickerington, OH 43147 or by phone at 614-837-8945.

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLYN COUNTY, OHIO
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 37,928
Materials and Supplies Inventory	4,316
Receivables:	
Intergovernmental	27,793
Prepaid Items	1,331
Total Current Assets	71,368
Noncurrent Assets:	
Net OPEB Asset	56,822
Capital Assets:	
Land	97,889
Capital Assets, Net of Depreciation	793,776
Total Noncurrent Assets	948,487
Total Assets	1,019,855
DEFERRED OUTFLOWS OF RESOURCES	
Pension	338,250
OPEB	10,831
Total Deferred Outflows of Resources	349,081
LIABILITIES	
Current Liabilities:	
Accounts Payable	587,211
Intergovernmental Payable	1,031
Notes Payable	32,397
Capital Leases Payable	3,728
Total Current Liabilities	624,367
Noncurrent Liabilities:	
Notes Payable	165,475
Capital Leases Payable	4,435
Net Pension Liability	1,083,272
Net OPEB Liability	135,271
Total Noncurrent Liabilities	1,388,453
Total Liabilities	2,012,820
DEFERRED INFLOWS OF RESOURCES	
Pension	795,163
OPEB	332,763
Total Deferred Inflows of Resources	1,127,926
NET POSITION	
Investment in Capital Assets	883,502
Unrestricted (Deficit)	(2,655,312)
Total Net Position	$ (1,771,810)

See accompanying notes to the basic financial statements

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLYN COUNTY, OHIO
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
School Foundation	$ 1,560,355
Other State Aid	29,437
Miscellaneous Operating Revenue	15,394
Total Operating Revenues	1,605,186
OPERATING EXPENSES	
Pension and OPEB Expense	(504,087)
Purchased Services: Salaries and Benefits	773,845
Purchased Services: Management Fees	276,787
Sponsorship Fees	44,249
Auditing and Accounting	59,337
Other Professional Services	165,932
Other Purchased Services	218,403
Materials and Supplies	63,441
Depreciation	85,952
Other	41,778
Total Operating Expenses	1,225,637
Operating Income	379,549
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	24
Interest and Fiscal Charges	(17,087)
Grants	120,455
Total Nonoperating Revenues (Expenses)	103,392
Change in Net Position	482,941
Net Position - Beginning of Year	(2,254,751)
Net Position - End of Year	$ (1,771,810)

See accompanying notes to the basic financial statements

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLYN COUNTY, OHIO
STATEMENT OF CASH FLOWS
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from State of Ohio	$ 1,504,394
Cash Received from Other Operations	15,394
Cash Payments for Goods and Services	(1,577,068)
Net Cash Used in Operating Activities	(57,280)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal Payments - Notes Payable	(30,260)
Interest Paid - Notes Payable	(14,895)
Grants received	121,323
Cash received from Interest	24
Net Cash Provided by Noncapital Financing Activities	76,192
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments - Capital Leases	(3,133)
Interest Paid - Capital Leases	(1,734)
Financing Charges	(458)
Net Cash Used in Capital and Related Financing Activities	(5,325)
Net Increase in Cash and Cash Equivalents	13,587
Cash and Cash Equivalents - Beginning of Year	24,341
Cash and Cash Equivalents - End of Year	$ 37,928
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Income	$ 379,549
Adjustments:	
Depreciation	85,952
(Increase) Decrease in Assets and Deferred Outflows:	
Intergovernmental Receivable	(26,293)
Materials and Supplies Inventory	(4,316)
Prepaid Items	13,755
Net OPEB Asset	(56,822)
Deferred Outflow of Resources - Pension	60,063
Deferred Outflow of Resources - OPEB	151
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	80,590
Intergovernmental Payable	(82,430)
Net Pension Liability	(476,289)
Net OPEB Liability	(253,225)
Deferred Inflow of Resources - Pension	86,986
Deferred Inflow of Resources - OPEB	135,049
Net Cash Used in Operating Activities	$ (57,280)

See accompanying notes to the basic financial statements

NOTE 1: DESCRIPTION OF THE ENTITY

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year-round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School was approved for operation on June 14, 2001, under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001. The school is currently sponsored by Buckeye Community Hope Foundation under an original five-year term that ended on June 30, 2020.

The five-member 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 principal, full time non-certified staff, and certified full-time teaching personnel who provide services to approximately 123 students during the school year.

The School contracts with Oakmont Education, LLC, for most of its functions. Oakmont is the entity with which the School's board interacts regarding day-to-day operations (see Note 16 for details).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the School are included on the Statement of Net Position.

The Statement of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. 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 the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

D. Cash and Cash Equivalents

All cash received by the School is deposited in demand accounts in the School’s name. The School did not have any investments during fiscal year 2019.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, improvements, however, are capitalized. Building, vehicles, furniture and equipment are depreciated using the straight-line method over the assets’ estimated useful lives. Improvements to Capital assets are depreciated over the remaining useful lives of the related capital assets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation (continued)

The following is the estimated useful lives for building, vehicles, furniture and equipment:

Asset	Useful Life
Building	45 years
Vehicles	6-10 years
Furniture and Equipment	1-10 years

F. Estimates

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

G. Net Position

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

H. Intergovernmental Revenues

The School currently participates in the state foundation and state disadvantaged pupil impact aid programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2019 school year totaled $1,710,247.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Operating Revenues and Expenses

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used.

K. Pensions and Other Postemployment Benefits (OPEB)

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position (See Notes 8 and 9).

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the Statement of Net Position. The School has recognized certain expenses due, but unpaid as of June 30, 2019. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3: CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit and Investment Risk Disclosures”.

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2019, the book amount of the School’s deposits was $37,928 and the bank balance was $60,096. The total bank balance was insured by the FDIC at June 30, 2019.

The School had no investments at June 30, 2019 or during the fiscal year.

NOTE 4: CAPITAL ASSETS

A summary of the School’s capital assets at June 30, 2019, follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Capital Assets Not Being Depreciated:				
Land	$ 97,889	$ -	$ -	$ 97,889
Capital Assets Being Depreciated:				
Building	1,575,132	-	-	1,575,132
Vehicles	50,519	-	-	50,519
Furniture and Equipment	612,200	-	-	612,200
Total Capital Assets Being Depreciated	2,237,851	-	-	2,237,851
Less Accumulated Depreciation:				
Building	(714,127)	(73,778)	-	(787,905)
Vehicles	(49,633)	(886)	-	(50,519)
Furniture and Equipment	(594,363)	(11,288)	-	(605,651)
Total Accumulated Depreciation	(1,358,123)	(85,952)	-	(1,444,075)
Net Total Capital Assets Being Depreciated	879,728	(85,952)	-	793,776
Net Total Capital Assets	$ 977,617	$ (85,952)	$ -	$ 891,665

NOTE 5: INTERGOVERNMENTAL RECEIVABLE/PAYABLE

At June 30, 2019, The School had intergovernmental receivables in the amount of $27,793 which consisted of $1,501 to account for CCIP undrawn funds, $1,937 related to FY19 FTE adjustments to enrollment at fiscal year end, and $24,355 for true-up of SERS pension expenses. The School had intergovernmental payables in the amount of $1,031 for the SERS surcharge expense.

NOTE 6: ACCOUNTS PAYABLE

Accounts Payable consists of obligations totaling $587,211 at June 30, 2019, incurred during the normal course of conducting operations.

NOTE 7: 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; injuries to employees; and natural disasters. The School contracted with Cincinnati Insurance Company for property and general liability insurance. The property insurance limits are $1,000 deductible and $385,000 aggregate. The general liability insurance limits are $1,000,000 each occurrence and $2,000,000 aggregate. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

B. Worker's 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 calculated by the State. The School had paid all premiums as of June 30, 2019.

NOTE 8: DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

A. Net Pension Liability (continued)

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

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

One year after an effective benefit date, a benefit recipient is entitled to a 2.5 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was $25,745 for fiscal year 2019.

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

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

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $63,504 for fiscal year 2019.

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.00876070%	0.00436169%	
Proportion of the Net Pension Liability Current Measurement Date	0.00533850%	0.00353618%	
Change in Proportionate Share	-0.00342220%	-0.00082551%	
Proportionate Share of the Net Pension Liability	305,747	777,525	1,083,272
Pension Expense	(69,530)	(170,462)	(239,992)

At June 30, 2019 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	$ 16,768	$ 17,950	$ 34,718
Changes of Assumptions	6,903	137,792	144,695
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	1,413	68,176	69,589
School Contributions Subsequent to the Measurement Date	25,745	63,503	89,248
Total Deferred Outflows of Resources	$ 50,829	$ 287,421	$ 338,250
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ -	$ 5,077	$ 5,077
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,473	47,150	55,623
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	179,888	554,575	734,463
Total Deferred Inflows of Resources	$ 188,361	$ 606,802	$ 795,163

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

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

$89,249 reported as deferred outflows of resources related to pension resulting from the School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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:			
2020	$ (93,079)	$ (67,719)	$ (160,798)
2021	(57,173)	(104,314)	(161,487)
2022	(10,033)	(170,026)	(180,059)
2023	(2,992)	(40,825)	(43,817)
Total	$ (163,277)	$ (382,884)	$ (546,161)

E. Actuarial Assumptions - SERS

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

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions - SERS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions - SERS (continued)

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

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

	1% Decrease (6.50)%	Current Discount Rate (7.50)%	1% Increase (8.50)%
School's Proportionate Share of the Net Pension Liability	$ 430,666	$ 305,747	$ 201,009

F. Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation presented below.

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

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions - STRS (continued)

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018.

NOTE 8: DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions - STRS (continued)

Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's Proportionate Share of the Net Pension Liability	$ 1,135,475	$ 777,525	$ 474,572

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS

A. Net OPEB Liability/Asset

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

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

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

A. Net OPEB Liability/Asset (continued)

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

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

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

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

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

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School's surcharge obligation was $1,031.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $1,985 for fiscal year 2019. Of this amount $1,031 is reported as an intergovernmental payable.

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

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

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

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, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability and net OPEB asset were measured as of June 30, 2018, and the total OPEB liability and asset used to calculate the net OPEB liability and OPEB asset were determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	0.00487590%	0.00353618%	
Prior Measurement Date	0.00813490%	0.00436169%	
Change in Proportionate Share	-0.00325900%	-0.00082551%	
Proportionate Share of the Net OPEB Liability/(Asset)	$ 135,271	$ (56,822)	$ 78,449
OPEB Expense	$ (25,980)	$ (146,882)	$ (172,862)

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 2,208	$ 6,638	$ 8,846
School Contributions Subsequent to the Measurement Date	1,985	-	1,985
Total Deferred Outflows of Resources	$ 4,193	$ 6,638	$ 10,831
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ -	$ 3,310	$ 3,310
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	204	6,492	6,696
Changes of Assumptions	12,153	77,426	89,579
Changes in Proportionate Share and Differences Between Contributions and Proportionate Share of Contributions	110,105	123,073	233,178
Toatl Deferred Inflows of Resuces	$122,462	$210,301	$332,763

$1,985 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	$ (35,821)	$ (38,063)	$ (73,884)
2021	(31,000)	(38,063)	(69,063)
2022	(15,727)	(38,064)	(53,791)
2023	(37,180)	(46,394)	(83,574)
2024	(375)	(31,170)	(31,545)
Thereafter	(151)	(11,909)	(12,060)
Total	$(120,254)	$(203,663)	$(323,917)

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

E. Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. 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, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

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

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

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

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

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School's proportionate share of the net OPEB liability	$164,140	$135,271	$112,411

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
School's proportionate share of the net OPEB liability	$109,139	$135,271	$169,874

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation is presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medicare	8.00 percent	
Medicare	-5.23 percent	4.00 percent

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% 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.

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

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

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

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

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	$48,702	$56,822	$63,648

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	$63,262	$56,822	$50,283

NOTE 10: PURCHASED SERVICES

For the period July 1, 2018 through June 30, 2019, other purchased service expenses were for the following services:

	2019
Property Services	$ 32,365
Travel and Professional Development	6,421
Communications	80,762
Utilities	27,082
Trade Services	49,073
Transportation	22,700
Total	$ 218,403

NOTE 11: TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

NOTE 12: LONG-TERM LIABILITIES

A summary of long-term obligation on the mortgage outstanding for land, buildings and improvements at June 30, 2019, is as follows:

	Principal Outstanding 6/30/2018	Additions	Reductions	Principal Outstanding 6/30/2019	Amounts Due Within one year
JP Morgan Chase-Note	$ 228,132	$ -	$ (30,260)	$ 197,872	$ 32,397
Net Pension Liability	1,559,561	-	(476,289)	1,083,272	-
Net OPEB Liability	388,496	-	(253,225)	135,271	-
Capital Lease	11,296	-	(3,133)	8,163	3,728
Total Long-Term Liabilities	$ 2,187,485	$ -	$ (762,907)	$ 1,424,578	$ 36,125

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the Net Pension Liability and Net OPEB Liability see Notes 8 and 9.

Capital Lease – See Note 15 for related information.

Year(s)	Principal	Interest	Total
2020	$ 32,397	$ 12,760	$ 45,157
2021	34,754	10,402	45,156
2022	37,246	7,910	45,156
2023	39,917	5,240	45,157
2024	42,774	2,382	45,156
2025	10,784	123	10,907
Total	$ 197,872	$ 38,817	$ 236,689

J.P. Morgan Chase Bank (Mortgage)-Note – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated September 2017, in the amount of $250,000. This Note is for the purpose of getting cash to help with reduced revenue due to declining enrollment. Terms of the mortgage provide for monthly payments of $3,763, principal and interest, for 84 months at an annual interest rate of 6.85%. At June 30, 2019, the principal balance was $197,872. Interest and principal payments totaling $45,155 were made for the year ending June 30, 2019. Interest comprised of $14,895.

NOTE 13: CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2019.

NOTE 13: CONTINGENCIES (continued)

B. School Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 have been finalized and the amount is not material to the financial statements.

In additional, the School's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 have been finalized and are not material to the financial statements.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2019 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

C. Litigation

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 14: SPONSOR

A sponsorship agreement was executed between the school and Buckeye Community Hope Foundation for a five (5) year period beginning July 1, 2015. Under this agreement, the school pays the Sponsor "up to" 3% of State Aid. Sponsor fee expense at June 30, 2019, totaled $44,249.

NOTE 15: CAPITALIZED LEASE OBLIGATIONS

The school entered into a capitalized lease for the acquisition of equipment. The lease meets the criteria of a capital lease as defined by standards "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment of $16,144 with accumulated depreciation of $9,687. The School paid $3,133 in principal and $1,734 in interest for the fiscal year ended June 30, 2019.

Year(s)	Capital Lease Payments
2020	$ 4,867
2021	4,867
	9,734
Less: Amount Representing Interest	(1,571)
Present Value of Minimum Payments	$ 8,163

NOTE 16: MANAGEMENT AGREEMENT

Effective July 1, 2017, the School entered into a multi-year Management Agreement (Agreement) with Midwest Education Partners, dba Cambridge Education Group (CEG) which is a subsidiary of Newpoint Education for consulting and management of the School. The Agreement's term runs through June 30, 2022. On June 29, 2018 the School entered into an agreement between Cambridge Education Group, LLC, Oakmont Education, LLC and the School effective July 1, 2018 to assign the Management Agreement to Oakmont. Oakmont shall assume and perform all of Cambridge's obligations under the Management Agreement.

Oakmont is responsible and accountable to the Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 18 percent of gross revenues. In addition to the management fee described above, the School will reimburse Oakmont for its payroll and other costs eligible for reimbursements.

The School had total purchased service expenses for the year ended June 30, 2019, to Oakmont Education in the amount of $1,050,632 (which includes $276,787 in management fees), with a payable to Oakmont at June 30, 2019, aggregating $543,235. Oakmont is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

NOTE 17: CHANGE IN ACCOUNTING PRINCIPLES

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have an effect on the financial statements of the School.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement did not have an effect on the financial statements of the School.

This space intentionally left blank

NOTE 18: MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2019, Oakmont Education, LLC and its affiliates incurred the following expenses on behalf of the School. Note to the Schedule of Management Company Expenses: Cambridge Education Group charges expenses benefiting more than one school (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2019 by each school it manages. Employee Benefits do not include pension and OPEB expenses. Under management agreement with the school, the school is responsible for pension and OPEB expenses for direct school staff.

Expenses	**Total**
Direct Expenses	
Salaries and Wages	
Regular Instruction	$ 171,820
Special Instruction	55,140
Vocational Instruction	137,198
Other Insturction	1,242
Support Services	237,457
Employees' benefits	
Regular Instruction	22,878
Special Instruction	14,063
Vocational Instruction	7,984
Other Insturction	212
Support Services	28,567
Professional and technical services	
Noninstructional activities	4,863
Property services	
Travel	
Noninstructional activities	7,294
Communications	
Noninstructional activities	912
Utilities	
Transportation	
Books, periodicals, and films	
Instruction	608
Food and Related Supplies	
Noninstructional activities	5,471
Instruction	
Other Supplies	
Noninstructional activities	3,951
Depreciation	
Interest	
Other direct costs	
Noninstructional activities	7,006
Support Services	288
Indirect Expenses	
Overhead	
Support Services	65,801
Noninstructional activities	26,462
Total Expenses	**$ 799,217**

NOTE 19: SUBSEQUENT EVENT NOTE

Effective July 1, 2020 the School contracted with a new sponsor St. Aloysius Orphanage as their sponsor contract with Buckeye Community Hope Foundation ended on June 30, 2020.

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

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

	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0053385%	0.0087607%	0.0107229%	0.0118487%	0.011079%	0.011079%
School's Proportionate Share of the Net Pension Liability	$ 305,747	$ 523,432	$ 298,055	$ 676,098	$ 560,702	$ 658,833
School's Covered Payroll	$ 191,207	$ 286,957	$ 370,971	$ 400,197	$ 289,012	$ 429,762
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.90%	182.41%	80.34%	168.94%	194.01%	153.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00353618%	0.00436169%	0.00681342%	0.00558179%	0.00511459%	0.00511459%
School's Proportionate Share of the Net Pension Liability	$ 777,525	$ 1,036,129	$ 2,280,657	$ 1,542,643	$ 1,244,045	$ 1,481,899
School's Covered Payroll	$ 402,007	$ 479,514	$ 623,314	$ 557,529	$ 664,638	$ 666,669
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.41%	216.08%	365.89%	276.69%	187.18%	222.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - Pension
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 25,745	$ 25,813	$ 40,174	$ 51,936	$ 52,746	$ 40,057	$ 59,479	$ 50,207	$ 45,723	$ 40,047
Contributions in Relation to the Contractually Required Contribution	(25,745)	(25,813)	(40,174)	(51,936)	(52,746)	(40,057)	(59,479)	(50,207)	(45,723)	(40,047)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School Covered Payroll	$190,704	$191,207	$286,957	$370,971	$400,197	$289,012	$429,762	$373,286	$363,747	$295,768
Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - Pension
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 63,504	$ 56,281	$ 67,132	$ 87,264	$ 78,054	$ 86,403	$ 86,667	$ 62,093	$ 110,003	$ 87,192
Contributions in Relation to the Contractually Required Contribution	(63,504)	(56,281)	(67,132)	(87,264)	(78,054)	(86,403)	(86,667)	(62,093)	(110,003)	(87,192)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$453,600	$402,007	$479,514	$623,314	$ 557,529	$ 664,638	$ 666,669	$ 477,638	$ 846,177	$ 670,708
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Proportionate Share of the OPEB Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.00487590%	0.00813490%	0.0100894%
School's Proportionate Share of the Net OPEB Liability	$ 135,271	$ 218,319	$ 97,490
School's Covered Payroll	$ 191,207	$ 286,957	$ 370,971
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	70.75%	76.08%	26.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School’s Proportionate Share of the OPEB Liability/Asset
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School's Proportion of the Net OPEB Liability/Asset	0.00353618%	0.00436169%	0.00681342%
School's Proportionate Share of the Net OPEB Liability/(Asset)	$ (56,822)	$ 170,177	$ 364,383
School's Covered Payroll	$ 402,007	$ 479,514	$ 623,314
School's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.13%	35.49%	58.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	176.00%	47.11%	37.30%

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

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

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - OPEB
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution (1)	$ 1,985	$ 1,158	$ 941	$ 1,771	$ 3,731	$ 4,604	$ 12,363	$ 10,592	$ 3,395	$ 6,809
Contributions in Relation to the Contractually Required Contribution	(1,985)	(1,158)	(941)	(1,771)	(3,731)	(4,604)	(12,363)	(10,592)	(3,395)	(6,809)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School Covered Payroll	$ 190,704	$ 191,207	$ 286,957	$ 370,971	$ 400,197	$ 289,012	$ 429,762	$ 373,286	$ 363,747	$ 295,768
OPEB Contributions as a Percentage of Covered Payroll (1)	1.04%	0.61%	0.33%	0.48%	0.93%	1.59%	2.88%	2.84%	0.93%	2.30%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO
Required Supplementary Information
Schedule of the School's Contributions - OPEB
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ 6,646	$ 6,667	$ 4,776	$ 8,462	$ 6,707
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	(6,646)	(6,667)	(4,776)	(8,462)	(6,707)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School Covered Payroll	$ 453,600	$ 402,007	$ 479,514	$ 623,314	$ 557,529	$ 664,638	$ 666,669	$ 477,638	$ 846,177	$ 670,708
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

Net Pension Liability

Changes of benefit terms- SERS

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

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2019. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

Changes in benefit terms – STRS

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

Changes in assumptions – STRS

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

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 and 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
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 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent
Medicare Trend Assumption	
Medicare	
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent
Pre - Medicare	
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent and in 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, based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified.

The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

Also, for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service, and 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.

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S

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

Youthbuild Columbus Community School
Franklin County
1183 Essex Avenue
Columbus, Ohio 43201

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 the business-type activities of the Youthbuild Columbus Community School, Franklin County, (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 14, 2020.

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

October 14, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	**Internal Control over Financial Reporting**	Fully Corrected	School contracted with Charles Harris to calculate pension accruals

Leigh Ann King – Executive Director
614-291-0805
1183 Essex Avenue Columbus, Ohio 43201
“we can change the world, with our own two hands”

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE
KEITH FABER

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

FRANKLIN 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 11/12/2020

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