

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**LUCAS COUNTY, OHIO**

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**





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Board of Directors  
Achieve Career Preparatory Academy  
3891 Martha Avenue  
Toledo, Ohio 43612

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

January 15, 2021

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**ACHIEVE CAREER PREPARATORY ACADEMY  
LUCAS COUNTY, OHIO**

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## Independent Auditor's Report

Achieve Career Preparatory Academy  
Lucas County  
3891 Martha Avenue  
Toledo, Ohio 43612

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Achieve Career Preparatory Academy, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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

### ***Emphasis of Matters***

The accompanying financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern. As described in Note 15 to the financial statements, the Achieve Career Preparatory Academy has current liabilities exceeding current assets, which raises substantial doubt about the Achieve Career Preparatory Academy's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. As described in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Achieve Career Preparatory Academy. Our opinion is not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the Achieve Career Preparatory Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Achieve Career Preparatory Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Achieve Career Preparatory Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 21, 2020



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**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*

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

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

**Financial Highlights**

In 2020,

- Total net position was \$(1,860,917).
- Total assets were \$594,263.
- Total deferred outflows of resources were \$426,258.
- Total liabilities were \$2,412,148.
- Total deferred inflows of resources were \$469,290.

**Using this Annual Report**

This report includes the MD&A, 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 change in net position, and a statement of cash flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the Academy did financially during fiscal year 2020. 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 two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

This report also includes required supplementary information concerning the Academy's net other post-employment benefits (OPEB) asset, net pension liability and net OPEB liability, and notes to the required supplementary information.

The Academy uses enterprise presentation for all of its activities.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**Statement of Net Position**

Table I provides a summary of the Academy's net position for fiscal years 2020 and 2019:

<b>TABLE 1</b>	<b><u>Governmental Activities</u></b>	
	June 30	
	2020	2019
<b>Assets</b>		
Current assets	\$ 470,098	\$ 110,025
Noncurrent assets	54,070	57,995
Net OPEB asset	<u>70,095</u>	<u>71,017</u>
Total assets	<u>594,263</u>	<u>239,037</u>
<b>Deferred Outflows of Resources</b>		
Pension	374,057	568,813
OPEB	<u>52,201</u>	<u>49,360</u>
Total deferred outflows of resources	<u>426,258</u>	<u>618,173</u>
<b>Liabilities</b>		
Current liabilities	881,895	898,841
Noncurrent liabilities		
Due in more than one year		
Notes payable	107,597	0
Net pension liability	1,275,269	1,331,573
Net OPEB liability	<u>147,387</u>	<u>177,337</u>
Total noncurrent liabilities	<u>1,530,253</u>	<u>1,508,910</u>
Total liabilities	<u>2,412,148</u>	<u>2,407,751</u>
<b>Deferred Inflows of Resources</b>		
Pension	275,426	349,624
OPEB	<u>193,864</u>	<u>190,823</u>
Total deferred inflows of resources	<u>469,290</u>	<u>540,447</u>
<b>Net Position</b>		
Invested in capital assets	44,070	47,995
Unrestricted	<u>(1,904,987)</u>	<u>(2,138,983)</u>
Total net position	<u><u>\$(1,860,917)</u></u>	<u><u>\$(2,090,988)</u></u>

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

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**Statement of Net Position (continued)**

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In a prior period, the Academy also adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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 the 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 asset/liability to equal the Academy's proportionate share of each plan's collective:

- a) present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- b) 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. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

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**Statement of Net Position (continued)**

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 asset/liability, respectively, not accounted for as deferred inflows/outflows.

Total net position for the Academy increased \$230,071. Cash was \$386,493. Total receivables increased by \$34,162 primarily due to larger accruals of Federal funds at fiscal year-end. Contracts payable decreased \$151,060 due to the waiver of management fees and rent for fiscal year 2020, as well as the collection of past management fees and rent. Notes Payable is \$213,500, which consists of a loan through the U.S. Small Business Administration's Paycheck Protection Program.

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**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**Change in Net Position**

Table 2 shows the change in net position for fiscal years 2020 and 2019, as well as a listing of revenues and expenses.

**TABLE 2**

	<b><u>Governmental Activities</u></b>	
	June 30	
	2020	2019
<b>Operating Revenues</b>		
Foundation payments	\$ 950,569	\$ 1,203,670
Other revenues	26,537	31,598
<b>Nonoperating Revenues</b>		
Federal grants	297,432	251,858
State grants	381,692	155,883
Contributions and donations	250	6,548
Other non-operating revenue	0	5,205
Total revenue	<u>1,656,480</u>	<u>1,654,762</u>
<b>Operating Expenses</b>		
Purchased services	1,280,526	1,374,812
Materials and supplies	83,869	74,635
Depreciation (unallocated)	19,575	26,070
Other expenses	42,076	56,686
<b>Nonoperating Expenses</b>		
Interest and fiscal charges	363	0
Loss on disposal of capital assets	0	270
Total expenses	<u>1,426,409</u>	<u>1,532,473</u>
Increase in net position	230,071	122,289
Net position beginning of year	<u>(2,090,988)</u>	<u>(2,213,277)</u>
Net position end of year	<u><u>\$(1,860,917)</u></u>	<u><u>\$(2,090,988)</u></u>

Net position increased by \$230,071. Foundation payments decreased \$253,101 due to decreased student count. State grants increased \$225,809 due to Quality Community School Support received from the Ohio Department of Education. Purchased services decreased \$94,286 due primarily to decreased student count.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**Capital Assets**

At the end of fiscal year 2020, the Academy had \$44,070 invested in capital assets (net of depreciation). Table 3 shows capital assets (net of depreciation) for fiscal years 2020 and 2019.

<b>TABLE 3</b>	<b><u>Net Capital Assets</u></b>	
	June 30	
	2020	2019
Furniture and fixtures	\$ 44,070	\$ 47,995
Total capital assets	\$ 44,070	\$ 47,995

For more information on capital assets, see Note 6 to the basic financial statements.

**Current Financial Issues**

Achieve Career Preparatory Academy was formed in 2009. During the 2019-2020 school year there were 110 students enrolled in the Academy. This was significantly short of the Academy's initial forecast and can be attributed to the impact of the COVID-19 pandemic. Net income net of pension- and OPEB-related adjustments was \$265,497, an increase of \$297,552 from the prior fiscal year. This was due to several factors, including the receipt of Quality Community School Support from the Ohio Department of Education, and the waiver of rent and management fees during 2020. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2020 amounted to \$950,569.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the Academy.

**Contacting the Academy's Financial Management**

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact:

Melinda Benkovsky  
Vice President of Finance  
The Leona Group, LLC  
2125 University Park Drive, Okemos, MI 48864  
melinda.benkovsky@leonagroup.com

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Statement of Net Position*  
*June 30, 2020*

<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$	386,493
Intergovernmental receivable		78,719
Prepaid items		4,886
<b>Total current assets</b>		470,098
<b>Noncurrent Assets</b>		
Security deposits		10,000
Depreciable capital assets, net		44,070
Net OPEB asset		70,095
<b>Total noncurrent assets</b>		124,165
<b>Total Assets</b>		594,263
<b>Deferred Outflows of Resources</b>		
Pension		374,057
OPEB		52,201
<b>Total Deferred Outflows of Resources</b>		426,258
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable		13,371
Contracts payable		657,899
Accrued wages payable		94,075
Intergovernmental payable		3,902
Unearned revenue		1,971
STRS-SERS payable		4,411
Notes payable - current portion		105,903
Interest payable		363
<b>Total current liabilities</b>		881,895
<b>Noncurrent Liabilities</b>		
Due in more than one year		
Notes payable		107,597
Net pension liability		1,275,269
Net OPEB liability		147,387
<b>Total noncurrent liabilities</b>		1,530,253
<b>Total Liabilities</b>		2,412,148
<b>Deferred Inflows of Resources</b>		
Pension		275,426
OPEB		193,864
<b>Total Deferred Inflows of Resources</b>		469,290
<b>Net Position</b>		
Investment in capital assets		44,070
Unrestricted (deficit)		(1,904,987)
<b>Total Net Position</b>		\$ (1,860,917)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Statement of Revenues, Expenses and Change in Net Position*  
*For the Fiscal Year Ended June 30, 2020*

<b>Operating Revenues</b>	
Foundation payments	\$ 950,569
Other revenues	26,537
<b>Total operating revenues</b>	977,106
 <b>Operating Expenses</b>	
Purchased services	1,280,526
Materials and supplies	83,869
Depreciation	19,575
Other	42,076
<b>Total operating expenses</b>	1,426,046
<b>Operating Loss</b>	(448,940)
 <b>Nonoperating Revenues and Expenses</b>	
Federal grants	297,432
State grants	381,692
Contributions and donations	250
Interest and fiscal charges	(363)
<b>Total nonoperating revenues and expenses</b>	679,011
<b>Change in Net Position</b>	230,071
<b>Net Position Beginning of Year</b>	(2,090,988)
<b>Net Position End of Year</b>	\$ (1,860,917)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2020*

**Increase in Cash and Cash Equivalents**

***Cash Flows from Operating Activities***

Cash received from State of Ohio	\$ 952,880
Cash received from other operating revenues	24,350
Cash payments to suppliers for goods and services	<u>(1,494,203)</u>

***Net Cash Used for Operating Activities*** (516,973)

***Cash Flows from Noncapital Financing Activities***

Federal grants received	256,437
State grants received	385,869
Contributions	250
Proceeds from notes	<u>213,500</u>

***Net Cash Provided by Noncapital Financing Activities*** 856,056

***Cash Flows from Capital and Related Financing Activities***

Payments for capital acquisitions	<u>(15,649)</u>
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***Net Cash Used for Capital and Related Financing Activities*** (15,649)

***Net Increase in Cash and Cash Equivalents*** 323,434

***Cash and Cash Equivalents at Beginning of Year*** 63,059

***Cash and Cash Equivalents at End of Year*** \$ 386,493

*(Continued)*

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

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**Reconciliation of Operating Loss to Net Cash Used for Operating Activities**

Operating loss	\$ (448,940)
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	19,575
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***Changes in assets, deferred outflows, liabilities, and deferred inflows:***

Decrease in intergovernmental receivable	4,625
Increase in prepaid items	(2,477)
Decrease in net OPEB asset	922
Decrease in deferred outflows-pension	194,756
Increase in deferred outflows-OPEB	(2,841)
Increase in accounts payable	8,382
Decrease in contracts payable-TLG	(111,059)
Decrease in contracts payable-BPH	(40,000)
Increase in accrued wages and benefits	17,433
Increase in intergovernmental payable	3,902
Decrease in STRS-SERS payable	(3,840)
Decrease in net pension liability	(56,304)
Decrease in net OPEB liability	(29,950)
Decrease in deferred inflows-pension	(74,198)
Increase in deferred inflows-OPEB	3,041

<b><i>Total Adjustments</i></b>	<b><i>(68,033)</i></b>
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<b><i>Net Cash Used for Operating Activities</i></b>	<b><i>\$ (516,973)</i></b>
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At June 30, 2019, \$34,207 of the intergovernmental receivable related to nonoperating activity.

At June 30, 2020, \$72,994 of the intergovernmental receivable related to nonoperating activity.

*SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS*

# **ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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## **1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Achieve Career Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 102. The Academy's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. As a family of learners, students and staff exhibit an in-depth understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy's programs are currently available to students in grades 9 – 12. The Academy, 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 Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of one year commencing May 8, 2009, with a three-year renewal on July 1, 2010, a two-year renewal on July 1, 2013, and a five-year renewal on July 1, 2015. On May 22, 2020, the contract was renewed for a five-year period commencing July 1, 2020. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member board of directors. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by twelve certificated personnel and twenty-four non-certificated personnel who provide services to 110 students.

The Governing Board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of its Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee. (See Note 14).

The State of Ohio requires that the financial activities of all community schools are overseen by a licensed fiscal officer. The fiscal officer is retained by the board of directors and is not affiliated with TLG.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Descriptions of the more significant of the Academy's accounting policies follow.

### **A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change in net position, a statement of cash flows, and required supplementary information. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus**

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

**C. Basis of Accounting**

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

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

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

**E. Cash and Cash Equivalents**

All monies received by the Academy are maintained in a bank account in the Academy's name. Monies for the Academy are maintained in this account or temporarily used to purchase short-term investments.

**F. Receivables**

Accounts receivable and intergovernmental receivables at June 30, 2020 are considered collectible in full and will be received within one year.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Capital Assets**

Capital assets 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 values as of the date received. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Depreciation is computed using the straight-line method. A summary of capital asset activity can be found in Note 6. Cost thresholds and useful lives are as follows:

**Capitalization and Depreciation Policy**

<u>Category</u>	<u>Cost Threshold</u>	<u>Useful Life</u>
<b><i>Building Related:</i></b>		
Leasehold improvements	Professional judgement not less than \$25,000	Life of Lease
<b><i>Furniture and Equipment:</i></b>		
Furniture, fixtures, and equipment	Individual item - \$5,000	7 years
EDP equipment and software	Sum of like items in a	3 years
Non-EDP equipment	single purchase - \$12,500	6 years

**H. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets" consists of capital assets, net of accumulated depreciation. Portions of net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting these definitions are reported as non-operating.

**J. Estimates**

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

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources consist of pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 8 and 9, respectively.

**L. Pensions/Other Post-Employment Benefits (OPEB)**

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

**3. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

For fiscal year ended June 30, 2020, the Academy has implemented GASB Statement No. 84, "*Fiduciary Activities*", GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*", and GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*".

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

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The implementation of GASB Statement No. 95 did not have an effect on the financial statements of the Academy.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**4. DEPOSITS AND INVESTMENTS**

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at a local bank; therefore, the Academy has not adopted a formal investment policy.

**A. Cash on Hand**

On March 30, 2020, the Academy deposited the unspent portion of its \$500 petty cash fund to its general bank account to secure it while the building was closed due to the COVID-19 pandemic. The petty cash fund was closed in the general ledger, and will be re-established when the Academy resumes normal operations.

At June 30, 2020, the carrying amount of all Academy deposits was \$386,493. At June 30, 2020, the Academy's bank balance was \$391,827. \$141,827 was exposed to custodial credit risk as discussed below, and \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

**B. Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Academy and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Academy to a successful claim by the FDIC.

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**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**5. RECEIVABLES**

Receivables at June 30, 2020 consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

<b>Receivables</b>	
<u>Source</u>	<u>June 30, 2020</u>
Intergovernmental receivable:	
Title I	\$ 48,470
Title IIa	4,762
Title IVa	7,469
IDEA	10,628
ESSER/CARES	44
FTE foundation adjustment	1,622
Casino tax revenue	1,550
eRate	2,427
SERS refund	1,289
Due from other school	<u>458</u>
 Total intergovernmental receivable	 <u><u>\$ 78,719</u></u>

**6. CAPITAL ASSETS**

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

<b>Capital Asset Activity</b>				
<u>Category</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital assets being depreciated:				
Furniture and fixtures	<u>\$ 278,050</u>	<u>\$ 15,650</u>	<u>\$ 0</u>	<u>\$ 293,700</u>
Total depreciable capital assets	278,050	15,650	0	293,700
Less accumulated depreciation:				
Furniture and fixtures	<u>(230,055)</u>	<u>(19,575)</u>	<u>0</u>	<u>(249,630)</u>
Total accumulated depreciation	<u>(230,055)</u>	<u>(19,575)</u>	<u>0</u>	<u>(249,630)</u>
Total depreciable capital assets - net	<u><u>\$ 47,995</u></u>	<u><u>\$ (3,925)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 44,070</u></u>

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**7. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

**Insurance Coverages**

<u>Type</u>	<u>FY2020 Limits</u>
<b><i>Educational Errors and Omissions:</i></b>	
D&O Liability and Employment Practices	\$1,000,000
<b><i>General Liability:</i></b>	
General Aggregate	2,000,000
Per Occurrence	1,000,000
Abuse/Molestation Per Occurrence/Aggregate	1,000,000
Umbrella	15,000,000
<b><i>Property:</i></b>	
Building	10,350,138
Tenant's Improvements and Betterments	300,000
Personal Property	350,000
Business Income	150,000
<b><i>Auto Liability:</i></b>	
Combined Single Limit	1,000,000
<b><i>Miscellaneous:</i></b>	
Student Sports Per Occurrence	50,000
Student Sports Aggregate	500,000
Fiduciary and Crime	500,000
Cyber Liability	2,000,000
Foreign Travel	1,000,000

There was no significant reduction in coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three years. Any changes in coverage are due to periodic reviews of the needs of the Academy.

**B. Workers' Compensation**

The Academy 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.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages payable and/or STRS-SERS payable.

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

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

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020 (see Note 9).

The Academy's contractually required contribution to SERS was \$30,665 for fiscal year 2020. The full amount was contributed for fiscal year 2020.

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

Plan Description – Academy 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](http://www.strsoh.org).

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**8. DEFINED BENEFIT PENSION PLANS (continued)**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$68,267 for fiscal year 2020. Of this amount, \$4,146 is recorded as a net liability of the Academy.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net liability:			
Current measurement date	0.00567170%	0.00423218%	
Prior measurement date	<u>0.00628270%</u>	<u>0.00441951%</u>	
Change in proportionate share	<u>(0.00061100%)</u>	<u>(0.00018733%)</u>	
Proportionate share of the net pension liability	\$ 339,348	\$ 935,921	\$ 1,275,269
Pension expense	\$ 16,156	\$ 147,030	\$ 163,186

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 8,603	\$ 7,618	\$ 16,221
Changes of assumptions	0	109,942	109,942
Changes in proportion and differences between Academy contributions and proportionate share of contributions	0	148,962	148,962
Academy contributions subsequent to the measurement date	<u>30,665</u>	<u>68,267</u>	<u>98,932</u>
Total deferred outflows of resources	<u>\$ 39,268</u>	<u>\$ 334,789</u>	<u>\$ 374,057</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 0	\$ 4,051	\$ 4,051
Net difference between projected and actual earnings on pension plan investments	4,356	45,745	50,101
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>30,408</u>	<u>190,866</u>	<u>221,274</u>
Total deferred inflows of resources	<u>\$ 34,764</u>	<u>\$ 240,662</u>	<u>\$ 275,426</u>

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

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

\$98,932 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Amortization of Deferred Outflows and Deferred Inflows - Pension**

<b>Fiscal Year Ending June 30:</b>	<b><u>SERS</u></b>	<b><u>STRS</u></b>	<b><u>Total</u></b>
2021	\$ (14,477)	\$ 94,145	\$ 79,668
2022	(13,865)	801	(13,064)
2023	(291)	(67,905)	(68,196)
2024	<u>2,472</u>	<u>(1,181)</u>	<u>1,291</u>
Total to be amortized	<u>\$ (26,161)</u>	<u>\$ 25,860</u>	<u>\$ (301)</u>

**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. Future benefits for all current plan members were projected through 2035.

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.



**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
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*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**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 are presented below:

**Calculating Total Pension Liability - SERS**

<u>Method</u>	<u>Assumption</u>
Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal (Level Percent of Payroll)
Actuarial assumptions experience study date	5 year period ended June 30, 2015
Investment rate of return	7.50 percent net of investment expense, including inflation
COLA or ad hoc COLA	2.50 percent, on and after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Future salary increases, including inflation	3.50 percent to 18.20 percent
Wage inflation	3.00 percent
Mortality assumptions	For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The 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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

**Real Rates of Return on Pension Plan Investments - SERS**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US equity	22.50	4.75
International equity	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
	100.00 %	

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**E. Actuarial Assumptions – SERS (continued)**

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Academy'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 Academy's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Academy'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.

**Sensitivity to Changes in Discount Rate - SERS**

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Academy's proportionate share of the net pension liability	\$ 475,548	\$ 339,348	\$ 225,127

**F. Actuarial Assumptions - STRS**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

**Calculating Total Pension Liability - STRS**

<u>Method</u>	<u>Assumption</u>
Valuation date	July 1, 2019
Actuarial assumptions experience study date	July 1, 2011 - June 30, 2016
Inflation	2.50 percent
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
Projected payroll growth	3.00 percent
Cost-of-living adjustments (COLA)	0.00 percent
Mortality assumptions	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.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
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**8. DEFINED BENEFIT PENSION 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:

**Real Rates of Return on Pension Plan Investments - STRS**

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>1.00</u>	2.25
	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS'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, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**F. Actuarial Assumptions – STRS (continued)**

***Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Academy's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

**Sensitivity to Changes in Discount Rate - STRS**

	<b>1% Decrease (6.45%)</b>	<b>Current Discount Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
Academy's proportionate share of the net pension liability	\$ 1,367,744	\$ 935,921	\$ 570,360

**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS**

**A. Net OPEB Asset/Liability**

The net OPEB asset/liability reported on the statement of net position represents an asset or liability 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 asset/liability represents the Academy's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/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 these estimates annually.

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

GASB 75 assumes the asset/liability is solely that of the employer, because they benefit from employee services; and 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 OPEB plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**A. Net OPEB Asset/Liability (continued)**

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in accrued wages payable and/or STRS/SERS payable.

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

Health Care Plan Description - The Academy 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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the Academy's surcharge obligation was \$4,411, which is recorded as a payable to SERS.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**C. Plan Description - School Employees 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, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

**D. OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB asset/liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB asset/liability was based on the Academy'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/(asset):			
Current measurement date	0.00586080%	0.00423218%	
Prior measurement date	<u>0.00639220%</u>	<u>0.00441951%</u>	
Change in proportionate share	<u>(0.00053140%)</u>	<u>(0.00018733%)</u>	
Proportionate share of the net OPEB liability (asset)	\$ 147,387	\$ (70,095)	\$ 77,292
OPEB expense	\$ (3,749)	\$ (20,668)	\$ (24,417)

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
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*(continued)*

**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources - OPEB</b>			
Differences between expected and actual experience	\$ 2,163	\$ 6,354	\$ 8,517
Net difference between projected and actual earnings on OPEB plan investments	353	0	353
Changes of assumptions	10,765	1,473	12,238
Changes in proportion and differences between Academy contributions and proportionate share of contributions	0	26,682	26,682
Academy contributions subsequent to the measurement date	<u>4,411</u>	<u>0</u>	<u>4,411</u>
Total deferred outflows of resources - OPEB	<u>\$ 17,692</u>	<u>\$ 34,509</u>	<u>\$ 52,201</u>
<b>Deferred Inflows of Resources - OPEB</b>			
Differences between expected and actual experience	\$ 32,380	\$ 3,567	\$ 35,947
Net difference between projected and actual earnings on OPEB plan investments	0	4,404	4,404
Changes of assumptions	8,259	76,850	85,109
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>20,805</u>	<u>47,599</u>	<u>68,404</u>
Total deferred inflows of resources - OPEB	<u>\$ 61,444</u>	<u>\$ 132,420</u>	<u>\$ 193,864</u>

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

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

\$4,411 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Amortization of Deferred Outflows and Deferred Inflows - OPEB**

<b>Fiscal Year Ending June 30:</b>	<b><u>SERS</u></b>	<b><u>STRS</u></b>	<b><u>Total</u></b>
2021	\$ (15,697)	\$ (19,530)	\$ (35,227)
2022	(7,568)	(19,532)	(27,100)
2023	(7,466)	(17,766)	(25,232)
2024	(7,484)	(17,151)	(24,635)
2025	(6,888)	(23,436)	(30,324)
Thereafter	<u>(3,060)</u>	<u>(496)</u>	<u>(3,556)</u>
Total to be amortized	<u>\$ (48,163)</u>	<u>\$ (97,911)</u>	<u>\$ (146,074)</u>

**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.



**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**E. Actuarial Assumptions – SERS (continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

**Calculating Total OPEB Liability - SERS**

<u>Method</u>	<u>Assumption</u>
Valuation date	June 30, 2019
Actuarial assumptions experience study date	5 year period ended June 30, 2015
Investment rate of return	7.50 percent net of investment expense, including inflation
Wage Inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Municipal bond index rate	
Prior measurement date	3.62 percent
Measurement date	3.13 percent
Single equivalent interest rate	
Prior measurement date	3.70 percent, net of plan investment expense, including price inflation
Measurement date	3.22 percent, net of plan investment expense, including price inflation
Medical trend assumption	
Pre-Medicare	7.00 percent – 4.75 percent
Medicare	5.25 percent – 4.75 percent
Mortality assumptions	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 long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**E. Actuarial Assumptions – SERS (continued)**

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

**Real Rates of Return on OPEB Plan Investments - SERS**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US equity	22.50	4.75
International equity	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
	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**E. Actuarial Assumptions – SERS (continued)**

***Sensitivity of the Academy'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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

**Sensitivity to Changes in Discount Rate - SERS**

	<b><u>1% Decrease</u></b> <b><u>(2.22%)</u></b>	<b><u>Current</u></b> <b><u>Discount Rate</u></b> <b><u>(3.22%)</u></b>	<b><u>1% Increase</u></b> <b><u>(4.22%)</u></b>
Academy's proportionate share of the net OPEB liability	\$ 178,900	\$ 147,387	\$ 122,330

**Sensitivity to Changes in Trend Rate - SERS**

	<b><u>1% Decrease</u></b>	<b><u>Current</u></b> <b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
Academy's proportionate share of the net OPEB liability	\$ 118,087	\$ 147,387	\$ 186,261

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**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**F. Actuarial Assumptions – STRS**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

**Calculating Total OPEB Liability - STRS**

<u>Method</u>	<u>Assumption</u>	
Valuation date	June 30, 2019	
Actuarial assumptions experience study date	July 1, 2011 - June 30, 2016	
Inflation	2.50 percent	
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll increases	3.00 percent	
Investment rate of return	7.45 percent, net of investment expenses, including inflation	
Health care cost trends		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent
Mortality assumptions	For healthy retirees the mortality rates 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. For disabled retirees, 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.	

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**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**F. Actuarial Assumptions – STRS (continued)**

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

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:

**Real Rates of Return on OPEB Plan Investments - STRS**

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>1.00</u>	2.25
	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS'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 OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (continued)**

**F. Actuarial Assumptions – STRS (continued)**

***Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 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 liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

**Sensitivity to Changes in Discount Rate - STRS**

	<b>1% Decrease</b> <b><u>(6.45%)</u></b>	<b>Current</b> <b>Discount Rate</b> <b><u>(7.45%)</u></b>	<b>1% Increase</b> <b><u>(8.45%)</u></b>
Academy's proportionate share of the net OPEB asset	\$ (59,812)	\$ (70,095)	\$ (78,741)

**Sensitivity to Changes in Trend Rate - STRS**

	<b>1% Decrease</b>	<b>Current</b> <b>Trend Rate</b>	<b>1% Increase</b>
Academy's proportionate share of the net OPEB asset	\$ (79,485)	\$ (70,095)	\$ (58,595)

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**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**10. CONTINGENCIES**

**A. Grants**

The Academy 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2020.

**B. Litigation**

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

**11. PURCHASED SERVICE EXPENSES**

For the period ended June 30, 2020, purchased service expenses were payments for services rendered by various vendors and adjustments related to pension and OPEB, as follows:

**Purchased Services**

<u>Category</u>	<u>FY2020</u>
Salaries	\$ 749,857
Fringe benefits	290,644
Other professional and technical services	35,035
Legal services	1,980
Buckeye Community Hope Foundation	31,126
Cleaning services	7,530
Repairs and maintenance	26,429
Other rentals	10,385
Communication	16,436
Advertising	21,963
Utilities	39,039
Contracted food service	46,443
Pupil transportation	<u>3,659</u>
Total purchased services	<u><u>\$1,280,526</u></u>

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020  
(continued)*

**12. OPERATING LEASES**

On May 19, 2016, the Academy entered into a lease for the period July 1, 2016 through June 30, 2021 with Beverly Victory Avenue Property Holdings, LLC (BVAPH), a TLG-affiliated company. Annual rent for the first two years of the lease is \$120,000, and \$144,000 thereafter.

On September 4, 2019, the Academy and BVAPH entered into a Rent Waiver agreement for the 2019-2020 fiscal year. See Note 15 for more information.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2020:

**Future Minimum Rent Due**

<u>Fiscal Year Ending June 30,</u>	<u>Annual Total</u>
2021	<u>\$ 144,000</u>
Total minimum lease payments	<u>\$ 144,000</u>

**13. DEBT**

On April 30, 2020, the Academy entered into a note payable with Citizens Bank N.A in the amount of \$213,500 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Small Business Administration (SBA) under the Payroll Protection Program (PPP). This note is considered a direct borrowing. Direct borrowings have terms negotiated between the Academy and the lender and are not offered for public sale. The note carries an interest rate of 1 percent and has a maturity date of April 30, 2022. Payments are deferred for six months from the date of disbursement, with interest accruing during the deferment period. Interest totaling \$363 accrued through June 30, 2020. Forgiveness of the note is available for principal that is used for the limited purposes that qualify for forgiveness under SBA requirements, and to obtain forgiveness, the Academy must request it and must provide documentation in accordance with SBA requirements. See Note 16 for subsequent events related to forgiveness of this note.

See Note 8 for detail on the Academy's net pension liability and Note 9 for detail on the Academy's net OPEB liability.

Debt activity during fiscal year 2020 is as follows:

**Debt Activity**

<u>Owed To</u>	<u>Balance at 6/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2020</u>	<u>Due in one year</u>
Citizens Bank N.A.	\$ 0	\$213,500	\$ 0	\$ 213,500	\$ 105,903
Net pension liability	1,331,573	0	56,304	1,275,269	0
Net OPEB liability	177,337	0	29,950	147,387	0
Total	<u>\$ 1,508,910</u>	<u>\$213,500</u>	<u>\$ 86,254</u>	<u>\$ 1,636,156</u>	<u>\$ 105,903</u>



**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT**

On May 29, 2019, the Academy entered into a one year contract through June 20, 2020 with The Leona Group, LLC, for educational management services for all of the management, operation, administration, and education at the Academy. On April 8, 2020, the agreement was amended to extend the contract through June 30, 2024. In exchange for its services, TLG receives a capitation fee of 12 percent of the gross revenue. On September 4, 2019, citing concerns regarding the Academy's financial health due to outstanding debt levels, TLG granted a waiver of management fees for the fiscal year ended June 30, 2020. See Note 15 for more information.

Terms of the management contract require TLG to provide the following:

- A. implementation and administration of the educational program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include salaries of The Leona Group, LLC. employees working at the Academy, and other costs related to providing educational and administrative services. Indirect costs benefitting more than one Academy are charged to each Academy pro-rated based on how the related service is rendered or costs incurred (i.e. actual expenses incurred, student count, or staffing levels.)

For the year ended June 30, 2020, those expenses are shown in the following table:

**Related Party Transactions**

	<u>Function (code range)</u>					
	Regular Instruction (1100)	Special Instruction (1200)	Other Instruction (1400/1900)	Support Services (2000)	Non- Instructional (3000-7000)	Total
<b>Direct expenses:</b>						
<b><u>Object (code range)</u></b>						
Salaries and wages (100)	\$ 236,251	\$ 148,146	\$ 1,500	\$ 336,553	\$ 14,985	\$ 737,435
Employees' benefits (200)	83,889	58,443	178	100,698	2,587	245,795
Professional and technical services (410)	0	799	0	14,050	0	14,849
Property services (420)	0	0	0	75	0	75
Supplies (500)	0	519	0	716	0	1,235
Other direct costs (all other)	0	0	0	27,634	0	27,634
<b>Total expenses</b>	<u>\$ 320,140</u>	<u>\$ 207,907</u>	<u>\$ 1,678</u>	<u>\$ 479,726</u>	<u>\$ 17,572</u>	<u>\$ 1,027,023</u>

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

**14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)**

At June 30, 2020, the Academy had payables to The Leona Group, LLC, and related parties, in the amount of \$657,899. The following is a schedule of payables to The Leona Group, LLC and related parties:

**Balance Due to The Leona Group, LLC, and Related Parties**

<u>Type</u>	<u>June 30, 2020</u>
Management fees	\$ 513,342
Rent	144,000
Miscellaneous	<u>557</u>
Total	<u>\$ 657,899</u>

**15. GOING CONCERN**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which contemplates continuation of the Academy as a going concern.

The Academy had an operating loss of \$448,940, an increase in net position of \$230,071 and current liabilities exceeding current assets by \$411,797 for the fiscal year ended June 30, 2020. \$35,246 of the operating loss is due to pension- and OPEB-related adjustments that were beyond the Academy's control.

On September 4, 2019, the Academy entered into management fee and rent waiver agreements with The Leona Group, LLC, and Beverly Victory Avenue Property Holdings, LLC, respectively, for the 2019-2020 fiscal year, to alleviate the sponsor's concerns about outstanding debt levels which may prohibit the Academy from complying with all of its contractual obligations. These waivers reduced the expenses of the Academy by \$195,651 and \$144,000, respectively.

The COVID-19 pandemic has had a significant impact on the Academy's enrollment. Student enrollment for the 2019-2020 school year was significantly under the initial forecast, and the 2020-2021 enrollment is 10% under its initial projections as of the date of this report. The Academy continues to pursue grassroots and social media marketing strategies to help increase enrollment, as well as concerted efforts to cut expenditures.

**16. SUBSEQUENT EVENTS**

On October 30, 2020, the Academy submitted an application to the U.S. Small Business Administration for forgiveness of the Paycheck Protection Program loan it received on April 30, 2020. Calculations included in the application indicate the Academy may be eligible for 100% forgiveness of the loan in the amount of \$213,500. The payment deferment period has been extended to ten months from receipt of the loan proceeds.

On October 23, 2020, the Ohio Bureau of Workers' Compensation (BWC), citing an intent to ease financial pressures caused by the COVID-19 pandemic, issued a dividend equaling approximately 100 percent of the premiums paid for the 2019 policy year. On November 2, 2020, BWC announced an upcoming dividend amounting to approximately 372 percent of the premiums paid in the 2019 policy year. The impact of these dividends on the Academy's finances is estimated to be a total of \$17,153 in credits against workers' compensation insurance expense in fiscal year 2021.

**ACHIEVE CAREER PREPARATORY ACADEMY**

**Lucas County, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

*(continued)*

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**17. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The investments of the pension, OPEB, and other Academy employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net Pension Liability*  
*Last Seven Fiscal Years <sup>(1)</sup>*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Academy's proportion of the net pension liability	0.00567170%	0.00628270%	0.00647790%	0.00720790%
Academy's proportionate share of the net pension liability	\$ 339,348	\$ 359,822	\$ 387,040	\$ 527,552
Academy's covered payroll	\$ 202,652	\$ 207,956	\$ 217,186	\$ 221,314
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	167.45%	173.03%	178.21%	238.37%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Academy's proportion of the net pension liability	0.00423218%	0.00441951%	0.00588246%	0.00500933%
Academy's proportionate share of the net pension liability	\$ 935,921	\$ 971,751	\$ 1,397,391	\$ 1,676,774
Academy's covered payroll	\$ 515,500	\$ 500,129	\$ 648,329	\$ 531,707
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	181.56%	194.30%	215.54%	315.36%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

<sup>(1)</sup> Information prior to 2014 is not available. Schedule will eventually report ten years of data.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year. See accompanying Notes to the Required Supplementary Information.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net Pension Liability*  
*Last Seven Fiscal Years <sup>(1)</sup>*  
*(continued)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>School Employees Retirement System (SERS)</i></b>			
Academy's proportion of the net pension liability	0.00772960%	0.00841400%	0.00841400%
Academy's proportionate share of the net pension liability	\$ 441,058	\$ 425,828	\$ 500,354
Academy's covered payroll	\$ 232,693	\$ 245,000	\$ 220,549
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	189.54%	173.81%	226.87%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%
<b><i>State Teachers Retirement System (STRS)</i></b>			
Academy's proportion of the net pension liability	0.00414511%	0.00451202%	0.00451202%
Academy's proportionate share of the net pension liability	\$ 1,145,587	\$ 1,097,479	\$ 1,307,310
Academy's covered payroll	\$ 432,471	\$ 431,508	\$ 529,969
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	264.89%	254.34%	246.68%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

<sup>(1)</sup> Information prior to 2014 is not available. Schedule will eventually report ten years of data.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year. See accompanying Notes to the Required Supplementary Information.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Pension Contributions*  
*Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>School Employees Retirement System (SERS)</b>					
Contractually required pension contribution	\$ 30,665	\$ 27,358	\$ 28,074	\$ 30,406	\$ 30,984
Contributions in relation to the contractually required pension contribution	<u>(30,665)</u>	<u>(27,358)</u>	<u>(28,074)</u>	<u>(30,406)</u>	<u>(30,984)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$219,036	\$202,652	\$207,956	\$217,186	\$221,314
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%	14.00%
<b>State Teachers Retirement System (STRS)</b>					
Contractually required pension contribution	\$ 68,267	\$ 72,170	\$ 70,018	\$ 90,766	\$ 74,439
Contributions in relation to the contractually required pension contribution	<u>(68,267)</u>	<u>(72,170)</u>	<u>(70,018)</u>	<u>(90,766)</u>	<u>(74,439)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$487,621	\$515,500	\$500,129	\$648,329	\$531,707
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

Note: See accompanying Notes to the Required Supplementary Information

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Pension Contributions*  
*Last Ten Fiscal Years*  
*(continued)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><i>School Employees Retirement System (SERS)</i></b>					
Contractually required pension contribution	\$ 30,669	\$ 33,957	\$ 30,524	\$ 27,328	\$ 23,552
Contributions in relation to the contractually required pension contribution	<u>(30,669)</u>	<u>(33,957)</u>	<u>(30,524)</u>	<u>(27,328)</u>	<u>(23,552)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$232,693	\$245,000	\$220,549	\$203,182	\$187,367
Contributions as a percentage of covered payroll	13.18%	13.86%	13.84%	13.45%	12.57%
<b><i>State Teachers Retirement System (STRS)</i></b>					
Contractually required pension contribution	\$ 60,546	\$ 56,096	\$ 68,896	\$ 97,520	\$103,329
Contributions in relation to the contractually required pension contribution	<u>(60,546)</u>	<u>(56,096)</u>	<u>(68,896)</u>	<u>(97,520)</u>	<u>(103,329)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$432,471	\$431,508	\$529,969	\$750,154	\$794,838
Contributions as a percentage of covered payroll	14.00%	13.00%	13.00%	13.00%	13.00%

Note: See accompanying Notes to the Required Supplementary Information



**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net OPEB Asset/Liability*  
*Last Four Fiscal Years <sup>(1)</sup>*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>School Employees Retirement System (SERS)</b>				
Academy's proportion of the net OPEB liability	0.00586080%	0.00639220%	0.00657730%	0.00729125%
Academy's proportionate share of the net OPEB liability	\$ 147,387	\$ 177,337	\$ 176,517	\$ 207,828
Academy's covered payroll	\$ 202,652	\$ 207,956	\$ 217,186	\$ 221,314
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.73%	85.28%	81.27%	93.91%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%
<b>State Teachers Retirement System (STRS)</b>				
Academy's proportion of the net OPEB liability/(asset)	0.00423218%	0.00441951%	0.00588246%	0.00500933%
Academy's proportionate share of the net OPEB liability/(asset)	\$ (70,095)	\$ (71,017)	\$ 229,512	\$ 267,900
Academy's covered payroll	\$ 515,500	\$ 500,129	\$ 648,329	\$ 531,707
Academy's proportionate share of the net OPEB liability/(asset) as a percentage of its covered payroll	(13.60)%	(14.20)%	35.40%	50.38%
Plan fiduciary net position as a percentage of the total OPEB liability	174.70%	176.00%	47.10%	37.30%

<sup>(1)</sup> Information prior to 2017 is not available. Schedule will eventually report ten years of data.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year. See accompanying Notes to the Required Supplementary Information.

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's OPEB Contributions*  
*Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>School Employees Retirement System (SERS)</b>					
Contractually required OPEB contribution <sup>(1)</sup>	\$ 4,411	\$ 4,817	\$ 4,575	\$ 3,602	\$ 3,633
Contributions in relation to the contractually required OPEB contribution	<u>(4,411)</u>	<u>(4,817)</u>	<u>(4,575)</u>	<u>(3,602)</u>	<u>(3,633)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$219,036	\$202,652	\$207,956	\$217,186	\$221,314
Contributions as a percentage of covered payroll	2.01%	2.38%	2.20%	1.66%	1.64%
<b>State Teachers Retirement System (STRS)</b>					
Contractually required OPEB contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in relation to the contractually required OPEB contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$487,621	\$515,500	\$500,129	\$648,329	\$531,707
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

<sup>(1)</sup> Includes surcharge

Note: See accompanying Notes to the Required Supplementary Information

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's OPEB Contributions*  
*Last Ten Fiscal Years*  
*(continued)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><i>School Employees Retirement System (SERS)</i></b>					
Contractually required OPEB contribution <sup>(1)</sup>	\$ 4,333	\$ 8,365	\$ 6,465	\$ 6,254	\$ 6,627
Contributions in relation to the contractually required OPEB contribution	<u>(4,333)</u>	<u>(8,365)</u>	<u>(6,465)</u>	<u>(6,254)</u>	<u>(6,627)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$232,693	\$245,000	\$220,549	\$203,182	\$187,367
Contributions as a percentage of covered payroll	1.86%	3.41%	2.93%	3.08%	3.54%
<b><i>State Teachers Retirement System (STRS)</i></b>					
Contractually required OPEB contribution	\$ 0	\$ 4,315	\$ 5,300	\$ 7,502	\$ 7,948
Contributions in relation to the contractually required OPEB contribution	<u>0</u>	<u>(4,315)</u>	<u>(5,300)</u>	<u>(7,502)</u>	<u>(7,948)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered payroll	\$432,471	\$431,508	\$529,969	\$750,154	\$794,838
Contributions as a percentage of covered payroll	0.00%	1.00%	1.00%	1.00%	1.00%

<sup>(1)</sup> Includes surcharge

Note: See accompanying Notes to the Required  
Supplementary Information

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**1. NET PENSION LIABILITY**

**A. Changes in Assumptions - SERS**

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

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

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

**B. Changes in Benefit Terms - SERS**

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

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

**C. Changes in Assumptions – STRS**

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

**D. Changes in Benefit Terms - STRS**

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

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

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**2. NET OPEB ASSET/LIABILITY**

**A. Changes in Assumptions - SERS**

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

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

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

Medicare

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

**B. Changes in Benefit Terms – SERS**

There have been no changes to the benefit provisions.

**C. Changes in Assumptions – STRS**

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

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

**ACHIEVE CAREER PREPARATORY ACADEMY**  
**Lucas County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*  
*(continued)*

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**2. NET OPEB ASSET/LIABILITY (continued)**

**D. Changes in Benefit Term – STRS**

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

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

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Achieve Career Preparatory Academy  
Lucas County  
3891 Martha Avenue  
Toledo, Ohio 43612

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Achieve Career Preparatory Academy, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Achieve Career Preparatory Academy's basic financial statements, and have issued our report thereon dated December 21, 2020, wherein we noted the accompanying financial statements have been prepared assuming the Achieve Career Preparatory Academy will continue as a going concern as discussed in Note 15. Furthermore, as described in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Achieve Career Preparatory Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Achieve Career Preparatory Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Achieve Career Preparatory Academy's internal control.

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

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

Achieve Career Preparatory Academy  
Lucas County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*  
Page 2

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
December 21, 2020



# OHIO AUDITOR OF STATE KEITH FABER



**ACHIEVE CAREER PREPARATORY ACADEMY**

**LUCAS COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 1/28/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)