



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Cypress High School  
Hamilton County  
1160 West 4<sup>th</sup> Street  
Mansfield, Ohio 44906

To the Board of Directors:

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

We have audited the accompanying financial statements of Cypress High School, Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

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

**Emphasis of Matters**

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. Additionally, as discussed in Note 13 to the financial statements, the School had a net position deficit. Note 13 describes management's plans to enable the School to return to financial stability. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2021, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 7, 2021

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

The discussion and analysis of the Cypress High School (the School), financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first year of financial reporting for the School, comparative prior year fiscal information does not exist. Subsequent reports will include the comparative information.

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2019-2020 school year are as follows:

- Total assets were \$1,136,722.
- Deferred outflows were \$34,368.
- Total liabilities were \$1,338,944.
- Total net position was \$(167,854).
- Total operating and non-operating revenues were \$379,297. Total operating expenses were \$547,151.

**USING THIS ANNUAL REPORT**

This report consists of three parts: 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 School did financially during fiscal year 2020. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net position and change in that position. This change in net position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

***Statement of Net Position*** - The Statement of Net Position answers the question of how the School performed financially during fiscal year 2020. This statement includes all assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2020. This is the School's first year of operation, therefore, comparative information is not available.

**Table 1  
Statement of Net Position**

|   | <u>2020</u>         |
|---|---------------------|
| <b>Assets</b>                               |                     |
| Current Assets                              | \$ 90,425           |
| Non-Current Assets                          | 1,046,297           |
| Total Assets                                | <u>1,136,722</u>    |
| <br>  |                     |
| <b>Total Deferred Outflows or Resources</b> | <u>34,368</u>       |
| <br>  |                     |
| <b>Liabilities</b>                          |                     |
| Current Liabilities                         | 429,810             |
| Non-Current Liabilities                     | 909,134             |
| Total Liabilities                           | <u>1,338,944</u>    |
| <br>  |                     |
| <b>Net Position</b>                         |                     |
| Investment in Capital Assets                | 49,113              |
| Unrestricted                                | <u>(216,967)</u>    |
| <b>Total Net Position</b>                   | <u>\$ (167,854)</u> |

Current assets represent cash and cash equivalents, grants receivable, intergovernmental receivables and other receivables. Current liabilities represent accounts payable, accrued expenses, and the current portion of the capital lease payable.



**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

**Statement of Revenues, Expenses and Change in Net Position** - Table 2 shows the change in net position for fiscal year 2020, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. This is the School's first year of operation, therefore, comparative information is not available.

**Table 2  
Change in Net Position**

|  | <b>2020</b>      |
|--|------------------|
| <b>Operating Revenue</b>                   |                  |
| State Aid                                  | \$ 306,671       |
| Casino Revenue                             | 2,186            |
| Total Operating Revenues                   | 308,857          |
| <br><b>Non-Operating Revenues</b>          |                  |
| Federal and State Grants                   | 70,440           |
| Total Non-Operating Revenue                | 70,440           |
| <br><b>Total Revenues</b>                  | <br>379,297      |
| <br><b>Operating Expenses</b>              |                  |
| Purchased Services: Salaries and Benefits  | 240,943          |
| Professional Fees                          | 151,299          |
| Legal Fees                                 | 49,000           |
| Sponsor Fees                               | 8,892            |
| Accounting Fees                            | 32,000           |
| Materials and Supplies                     | 44,493           |
| Other                                      | 11,832           |
| Depreciation                               | 8,692            |
| Total Operating Expenses                   | 547,151          |
| <br><b>Change in Net Position</b>          | <br>(167,854)    |
| <br><b>Net Position, Beginning of Year</b> | <br>-            |
| <br><b>Net Position, End of Year</b>       | <br>\$ (167,854) |

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

**BUDGET**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

**CURRENT FINANCIAL ISSUES**

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. During June 2020 the ODE reduced per pupil funding by \$88.76 as a result of the State of Ohio emergency declaration and COVID19 pandemic. The School continually evaluates the extent of the impact that changes in State funding will have on current year operations.

The full-time equivalent enrollment of the School for the year ended June 30, 2020 was 43.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students. Effective July 1, 2020, the school will relocate from Cincinnati to Mansfield Ohio.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 219 East Maple Street, North Canton OH, 44720 or e-mail at [dave@massasolutionsllc.com](mailto:dave@massasolutionsllc.com).

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**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

**Assets**

*Current Assets:*

|                              |    |               |
|------------------------------|----|---------------|
| Cash and Cash Equivalents    | \$ | 28,492        |
| Grants Receivable            |    | 45,440        |
| Intergovernmental Receivable |    | 5,840         |
| Other Receivable             |    | 10,653        |
|                              |    | 90,425        |
| <b>Total Current Assets</b>  |    | <b>90,425</b> |

*Noncurrent Assets:*

|                                 |  |                  |
|---------------------------------|--|------------------|
| Depreciable Capital Assets, net |  | 49,113           |
| Non-Depreciable Capital Asset   |  | 997,184          |
|                                 |  | 1,046,297        |
| <b>Total Non-Current Assets</b> |  | <b>1,046,297</b> |

|              |  |                  |
|--------------|--|------------------|
| Total Assets |  | <b>1,136,722</b> |
|--------------|--|------------------|

**Deferred Outflows of Resources**

|   |  |               |
|---|--|---------------|
| Pension                                     |  | 33,813        |
| OPEB  |  | 555           |
|   |  | 34,368        |
| <b>Total Deferred Outflows of Resources</b> |  | <b>34,368</b> |

**Liabilities**

*Current Liabilities:*

|                                  |  |                |
|----------------------------------|--|----------------|
| Accounts Payable                 |  | 340,534        |
| Accrued Expense                  |  | 1,226          |
| Capital Lease Payable            |  | 88,050         |
|                                  |  | 429,810        |
| <b>Total Current Liabilities</b> |  | <b>429,810</b> |

*Noncurrent Liabilities*

|                          |  |                  |
|--------------------------|--|------------------|
| Capital Lease Payable    |  | 909,134          |
|                          |  | 909,134          |
| <b>Total Liabilities</b> |  | <b>1,338,944</b> |

**Net Position**

|                              |  |                     |
|------------------------------|--|---------------------|
| Investment in Capital Assets |  | 49,113              |
| Unrestricted                 |  | (216,967)           |
|                              |  | \$ (167,854)        |
| <b>Total Net Position</b>    |  | <b>\$ (167,854)</b> |

See accompanying notes to the basic financial statements.

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDING JUNE 30, 2020**

|  |              |
|--|--------------|
| <b><u>Operating Revenues</u></b>         |              |
| State Aid                                | \$ 306,671   |
| Casino Revenue                           | 2,186        |
|  | 308,857      |
| Total Operating Revenues                 | 308,857      |
| <b><u>Operating Expenses</u></b>         |              |
| Purchased Services: Salaries and Benefit | 240,943      |
| Professional Fees                        | 151,299      |
| Legal Fees                               | 49,000       |
| Sponsor Fees                             | 8,892        |
| Accounting Fees                          | 32,000       |
| Materials and Supplies                   | 44,493       |
| Other                                    | 11,832       |
| Depreciation                             | 8,692        |
| Total Operating Expenses                 | 547,151      |
| <b>Operating Loss</b>                    | (238,294)    |
| <b><u>Non-Operating Revenues</u></b>     |              |
| Federal and State Grants                 | 70,440       |
| Total Non-Operating Revenues             | 70,440       |
| <b>Change in Net Position</b>            | (167,854)    |
| <b>Net Position, Beginning of Year</b>   | -            |
| <b>Net Position, End of Year</b>         | \$ (167,854) |

See accompanying notes to the basic financial statements.

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Cash Flows from Operating Activities**

|   |            |
|---|------------|
| Cash Received from State of Ohio                  | \$ 292,365 |
| Cash Payments to Suppliers for Goods and Services | (231,068)  |
| Net Cash Provided By Operating Activities         | 61,297     |

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

|   |          |
|---|----------|
| Cash Payments for Asset Acquisitions                      | (57,805) |
| Net Cash Used by Capital and Related Financing Activities | (57,805) |

**Cash Flows from Non-Capital Financing Activities**

|   |        |
|---|--------|
| Cash Received from Federal and State Grants           | 25,000 |
| Net Cash Provided by Non-Capital Financing Activities | 25,000 |

**Net Increase in Cash and Cash Equivalents** 28,492

**Cash and Cash Equivalents, Beginning of Year** -

**Cash and Cash Equivalents, End of Year** \$ 28,492

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES**

|                       |              |
|-----------------------|--------------|
| <b>Operating Loss</b> | \$ (238,294) |
| Depreciation          | 8,692        |

Changes in Assets, Liabilities, and Deferred Inflows and Outflows:

|                               |          |
|-------------------------------|----------|
| Intergovernmental Receivables | (5,840)  |
| Other Receivable              | (10,653) |
| Deferred Outflows             | (34,368) |
| Accounts Payable              | 340,534  |
| Accrued Expense               | 1,226    |
|                               | 1,226    |

**Net Cash Provided by Operating Activities** \$ 61,297

**Non-cash transaction:** School entered into a capital lease in the amount of \$997,184 during the fiscal year.

See accompanying notes to the basic financial statements.

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Cypress High School, (the School) is a state nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing students ages 16-21 with an authentic learning experience in a collaborative and nurturing environment. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracted with Oakmont Education, LLC, an Ohio limited liability company, ("Oakmont") for most of its functions, and Oakmont is the entity with which the School Board interacts regarding day-to-day operations (See Note 10).

The School was approved for operation under a contract with St. Aloysius Orphanage, (the Sponsor) for a one-year period commencing on July 1, 2019, with automatic one-year renewals through June 30, 2024. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the School's accounting policies are described below.

***Basis of Presentation*** - The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in net position, financial position and cash flows.

The Governmental Accounting Standards Board identifies the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting** - 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. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Budgetary Process** - Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, 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 for in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions of Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

**Cash and Cash Equivalents** - Cash received by the School is reflected as “Cash and Cash Equivalents” on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2020.

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

**Capital Assets and Depreciation** - Capital assets are capitalized at cost. Donated capital assets are recorded at their acquisition values as of the date received. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net position. Capital assets were \$49,113, as of June 30, 2020, net of accumulated depreciation. During 2020, the School also recorded \$997,184 of non-depreciable construction in progress. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

| <b><u>Asset Class</u></b>        | <b><u>Useful Life</u></b> |
|----------------------------------|---------------------------|
| Computers                        | 3 years                   |
| Furniture, Fixtures, & Equipment | 5 years                   |

The School’s policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of net position.



**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intergovernmental Revenues** - The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The School also participates in various federal programs passed through the Ohio Department of Education.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Under the above programs the School recorded \$306,671 this fiscal year from the State Foundation Program and \$70,440 from Federal Grants.

**Compensated Absences** - Vacation is taken in a manner which corresponds with the school calendar; therefore, the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

**Accrued Liabilities** - Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of \$340,534 and accrued expense of \$1,226 at June 30, 2020.

**Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

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

**CYPRESS HIGH SCHOOL  
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2020.

**Pensions and Other Postemployment Benefits (OPEB)** - For purposes of measuring the 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.

**Deferred Outflows and Inflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 7 and 8.

In addition to liabilities, the statement of net position will sometimes 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 until that time. The School did not have any deferred inflows of resources related to pension or OPEB as of fiscal year end.

**Implementation of New Accounting Principles** - For the fiscal year ended June 30, 2020, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

The School maintains its cash balances at one financial institution, Huntington Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2020, the book amount of the School’s deposits was \$28,492 and the bank balance was \$28,492.

Custodial credit risk is the risk that, in the event of bank failure, the School’s deposits may not be returned. The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2020, none of the bank balance was exposed to custodial credit risk.

**NOTE 4 - RECEIVABLES**

**Receivables** - The School has grants, intergovernmental, and other receivables totaling \$45,440, \$5,840, and \$10,653, respectively, at June 30, 2020. These receivables represented monies due to the School, but not received as of June 30, 2020.

**NOTE 5 - CAPITAL ASSETS**

For the period ending June 30, 2020, the School’s capital assets consisted of the following:

|   | <b>Balance<br/>06/30/19</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>06/30/20</b> |
|---|-----------------------------|------------------|------------------|-----------------------------|
| <b>Non-Depreciable Capital Asset (CI)</b> |                             |                  |                  |                             |
| Construction in Progress                  | \$ -                        | 997,184          | -                | \$ 997,184                  |
| <b>Depreciable Capital Assets:</b>        |                             |                  |                  |                             |
| Furniture, Fixtures, & Equipment          | \$ -                        | \$ 9,700         | \$ -             | \$ 9,700                    |
| Computers                                 | -                           | 48,105           | -                | 48,105                      |
| <b>Total Depreciable Capital Assets</b>   | -                           | 57,805           | -                | 57,805                      |
| <b>Less Accumulated Depreciation:</b>     |                             |                  |                  |                             |
| Furniture, Fixtures, & Equipment          | -                           | (1,778)          | -                | (1,778)                     |
| Computers                                 | -                           | (6,914)          | -                | (6,914)                     |
| <b>Total Accumulated Depreciation</b>     | -                           | (8,692)          | -                | (8,692)                     |
| <b>Capital Depreciable Assets, Net</b>    | <b>\$ -</b>                 | <b>\$ 49,113</b> | <b>\$ -</b>      | <b>\$ 49,113</b>            |

**CYPRESS HIGH SCHOOL  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - RISK MANAGEMENT**

***Property & Liability*** - The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2020, the School contracted with O'Neill Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and a combined umbrella policy aggregate coverage for various liability coverage in the amount of \$10,000,000.

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS**

The School has contracted with Oakmont Education, LLC to provide all teaching and administrative personnel. Such personnel are employees of Oakmont; however, the School is responsible for monitoring and ensuring that Oakmont makes pension contributions on its behalf. The retirement systems consider Oakmont as the "Employer of Record"; however, the School is ultimately responsible for remitting contributions to each of the systems noted below.

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

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

**School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                           | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|--|--|
| Full Benefits                | Age 65 with 5 years of service credit<br>Any age with 30 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit  | Age 62 with 10 years of service credit; or<br>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 thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

The cost-of living adjustment (COLA) is based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was the entire 14 percent. The School’s contractually required contribution to SERS was \$6,022 for fiscal year 2020.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years or service credit at any age.

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

The School’s contractually required contribution to STRS was \$27,791 for fiscal year 2020.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to Pensions are not applicable to the School at June 30, 2020, due to the School not being in operation during the measurement period.

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

|   | SERS            | STRS             | Total            |
|---|-----------------|------------------|------------------|
| <b>Deferred Outflows of Resources</b>                   |                 |                  |                  |
| School contributions subsequent to the measurement date | \$ 6,022        | \$ 27,791        | \$ 33,813        |
| <b>Total Deferred Outflows of Resources</b>             | <b>\$ 6,022</b> | <b>\$ 27,791</b> | <b>\$ 33,813</b> |

\$33,813 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability*** – In future periods, the School will report a net OPEB liability/(asset) on the statement of net position. The net OPEB liability represents a 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 liability represents the School’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability 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.

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

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

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**School Employees Retirement System (SERS)**

**Health Care Plan Description** - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](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 fiscal year 2020, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was \$555 for fiscal year 2020.

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**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**State Teachers Retirement System (STRS)**

**Plan Description** – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to OPEBs are not applicable to the School at June 30, 2020, due to the School not being in operation during the measurement period.

At June 30, 2020, the School reported deferred outflows of resources related to OPEBs from the following sources:

|   | SERS          | STRS        | Total         |
|---|---------------|-------------|---------------|
| <b>Deferred Outflows of Resources</b>                   |               |             |               |
| School contributions subsequent to the measurement date | \$ 555        | \$ -        | \$ 555        |
| <b>Total Deferred Outflows of Resources</b>             | <b>\$ 555</b> | <b>\$ -</b> | <b>\$ 555</b> |

\$555 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 9 - CONTINGENCIES**

**Grants** - The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**Litigation** - There are currently no matters in litigation with the School as defendant.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform an FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2020.

As of the date of this report, all ODE adjustments have been completed and ODE owed the School \$5,840, which was recorded as intergovernmental receivable on the financial statements.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State.

**NOTE 10 - SPONSOR AND MANAGEMENT CONTRACTS**

**Sponsor** - The School contracted with St. Aloysius Orphanage as its sponsor and for oversight services, monitoring and technical assistance. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2020, the total sponsorship fees paid totaled \$8,892.

**Management Company** - The School entered into an agreement with Oakmont Education LLC, a local management company, to provide management and day-to-day operational functions for fiscal year 2020. The agreement was for a period of five years beginning July 1, 2019, and automatically renewed for successive five year terms beginning July 1, 2024. Management fees are calculated as 18% of the total qualified gross revenues. The total amount paid by the School for the fiscal year ending June 30, 2020 was \$53,352 and is included under "Professional Fees" on the Statement of Revenues, Expenses and Change in Net Position.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - SPONSOR AND MANAGEMENT CONTRACTS (continued)**

In addition to the management fee described above, the School will reimburse Oakmont for its payroll and other costs eligible for reimbursement. Oakmont acknowledges that pursuant to Ohio law, Company's State Teachers Retirement System ("STRS") and State Employees Retirement System ("SERS") contributions on behalf of the Company employees employed at the School will be withheld by the State of Ohio.

The School had expenses for the year ended June 30, 2020 to Oakmont, including \$240,943 for salaries and benefits and \$53,352 for management fees. At June 30, 2020, the School owed Oakmont \$311,254 for services and advances made to the School, which are included in accounts payable.

**NOTE 11 – MANAGEMENT COMPANY EXPENSES**

As of June 30, 2020, Oakmont Education LLC and its affiliates incurred the following expenses on behalf of the School:

|  | Regular<br>Instruction<br>(1100 Function<br>codes) | Special Instruction<br>(1200 Function<br>codes) | Support Services<br>(2000 Function<br>Codes) | Non-Instructional<br>(3000 through<br>7000 Function<br>Codes) | Total             |
|--|--|---|--|---|-------------------|
| <i>Direct expenses:</i>                              |  |   |  |   |                   |
| Salaries & wages (100 object codes)                  | \$ 144,162   | \$ 11,111                                       | \$ 59,170                                    | \$ -  | \$ 214,443        |
| Employees' benefits (200 object codes)               | 18,371   | 1,236   | 5,543  | -   | 25,150            |
| Professional & technical services (410 object codes) | -  | -   | -  | 13,954  | 13,954            |
| Property services (420 object codes)                 | -  | -   | 1,642  | -   | 1,642             |
| Utilities (450 object codes)                         | -  | -   | -  | 1,000   | 1,000             |
| Supplies (500 object codes)                          | 1,642  | -   | -  | 48,094  | 49,736            |
| Other direct costs (All other object codes)          | -  | -   | -  | 15,750  | 15,750            |
| <b>Overhead</b>                                      | -  | -   | 22,012                                       | 8,066   | 30,078            |
| <b>Total expenses</b>                                | <b>\$ 164,175</b>                                  | <b>\$ 12,347</b>                                | <b>\$ 88,367</b>                             | <b>\$ 86,864</b>  | <b>\$ 351,753</b> |

Oakmont charges overhead expenses benefiting more than one school (i.e. overhead) on a pro-rated basis based on full time equivalents (FTE) headcount as of June 30, 2020 for each school it manages.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 12 - LEASE AND CAPITAL LEASE OBLIGATIONS**

In May 2020, the School entered into a lease with SSR Mansfield Real Estate, LLC to relocate the school from Cincinnati to Mansfield Ohio. The lease begins July 1, 2020 and is for ten years through June 30, 2030. The lease calls for a security deposit of \$11,000.

Future lease obligations are as follows:

| <b>Years Ending<br/>June 30:</b> | <b>Rents</b> |
|----------------------------------|--------------|
| 2021                             | \$ 110,000   |
| 2022                             | 110,000      |
| 2023                             | 121,000      |
| 2024                             | 121,000      |
| 2025                             | 132,000      |
| Thereafter                       | \$ 704,000   |
|                                  | \$ 1,298,000 |

As part of the lease the landlord will provide a tenant improvement allowance of \$1,100,000 to make improvements to the facility. The School has recorded \$997,184 as of June 30, 2020 as a construction in progress and capital lease obligation for the portion of the construction incurred through June 30. The capital lease obligation will be repaid over the term of the lease at an interest rate of 4.75 percent. Future obligations are as follows:

|                                    |              |
|------------------------------------|--------------|
| <b>Years Ending<br/>June 30:</b>   |              |
| 2021                               | \$ 138,399   |
| 2022                               | 138,399      |
| 2023                               | 138,399      |
| 2024                               | 138,399      |
| 2025                               | 138,399      |
| Thereafter                         | 691,995      |
| Total Payments                     | 1,383,990    |
| Less: Amount Representing Interest | 283,990      |
| Present Value of Minimum Payments  | \$ 1,100,000 |

**CYPRESS HIGH SCHOOL  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 13 – MANAGERMENTS PLAN REGARDING DEFICIT NET POSITION**

For fiscal year 2020, the School had a decrease in net position of \$(167,854), and a cumulative net position deficit of \$(167,854).

Management continues to take steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the School to return to financial stability.

On February 19th, 2020, the School terminated the Memo of Understanding with Cincinnati Job Corp Center, effective the last of school, May 19, 2020 to allow the School to relocate to a new location in Mansfield, Ohio.

**NOTE 14 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. The investments of the pension and other 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 gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**CYPRESS HIGH SCHOOL - HAMILTON COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PENSION  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)**

|   | <u>2020</u>    |
|---|----------------|
| Contractually Required Contribution                                     | \$ 6,022       |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(6,022)</u> |
| Contribution Deficiency (Excess)  | <u>\$ -</u>    |
| School Covered Payroll  | \$ 43,014      |
| Contributions as a Percentage of<br>Covered Payroll                     | 14.00%         |

(1) Information prior to 2020 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**CYPRESS HIGH SCHOOL - HAMILTON COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PENSION  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)**

|   | <u>2020</u>        |
|---|--------------------|
| Contractually Required Contribution                                     | \$ 27,791          |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(27,791)</u>    |
| Contribution Deficiency (Excess)  | <u><u>\$ -</u></u> |
| School Covered Payroll  | \$ 198,507         |
| Contributions as a Percentage of<br>Covered Payroll                     | 14.00%             |

(1) Information prior to 2020 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information



**CYPRESS HIGH SCHOOL - HAMILTON COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - OPEB  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)**

|   | <u>2020</u>     |
|---|-----------------|
| Contractually Required Contribution (2)                                 | \$ 555          |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(555)</u>    |
| Contribution Deficiency (Excess)  | <u><u>-</u></u> |
| School Covered Payroll  | \$ 43,014       |
| OPEB Contributions as a Percentage of<br>Covered Payroll (2)            | 1.29%           |

(1) Information prior to 2020 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

**CYPRESS HIGH SCHOOL - HAMILTON COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - OPEB  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)**

|   | <u>2020</u>        |
|---|--------------------|
| Contractually Required Contribution                                     | \$ -               |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>-</u>           |
| Contribution Deficiency (Excess)  | <u><u>\$ -</u></u> |
| School Covered Payroll  | \$ 198,507         |
| Contributions as a Percentage of<br>Covered Payroll                     | 0.00%              |

(1) Information prior to 2020 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

# OHIO AUDITOR OF STATE KEITH FABER



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

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

Cypress High School  
Hamilton County  
1160 West 4<sup>th</sup> Street  
Mansfield, Ohio 44906

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Cypress High School, Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated April 7, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We also noted the School had a net position deficit.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

April 7, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Cypress High School  
Hamilton County  
1160 West 4th Street  
Mansfield, Ohio 44906

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Cypress High School, Hamilton County, Ohio, (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666 and Ohio Rev. Code Section 3314.03(a)(11)(d) for the period ended June 30, 2020. Management is responsible for complying with this requirement. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We inspected the Board minutes and observed that the Board adopted an anti-harassment policy at its meeting on July 17, 2019. We inspected the policy, noting it does include all requirements listed in Ohio Rev. Code 3313.666.

Ohio Rev. Code Section 3313.666(B) and Ohio Rev. Code Section 3314.03(a)(11)(d) specify the following requirements must be included in anti-harassment policies. We inspected the policy for proper inclusion of these requirements:

1. A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
2. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666. The act defines that term as "any intentional written, verbal, electronic or physical act that a student has exhibited toward another particular student more than once and the behavior both (1) causes mental or physical harm to the other student, (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student," and violence within a dating relationship;

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3. A procedure for reporting prohibited incidents;
4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
5. A requirement that the custodial parent or guardian of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
6. A procedure for documenting any prohibited incident that is reported;
7. A procedure for responding to and investigating any reported incident;
8. A strategy for protecting a victim from new or additional harassment, intimidation, or bullying, and from retaliation following a report, including a means by which a person may report an incident anonymously;
9. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
10. A statement prohibiting students from deliberately making false reports of harassment, intimidation, or bullying and a disciplinary procedure for any student responsible for deliberately making a false report of that nature;
11. A requirement that the administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of whether the School has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666 and is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 7, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**CYPRESS HIGH SCHOOL**

**RICHLAND 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 5/18/2021**

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)