



OHIO AUDITOR OF STATE
KEITH FABER



**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Ohio Digital Learning School
Lucas County
1745 Indian Wood Circle
Maumee, Ohio 43537

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Digital Learning School, Lucas 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 the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 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

May 17, 2021

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

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

The discussion and analysis of Ohio Digital Learning School's (the School) financial performance provides an overall review of the 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 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 (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 year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Total net position was \$125,976 as of June 30, 2020.
- The School had operating revenues of \$1,687,537, operating expenses of \$1,578,585, and non-operating revenues of \$7,024. The operating income was \$108,952 during the School's first year of operations.
- Current assets were \$2,536,094 and current liabilities were \$2,526,094 at June 30, 2020.
- Deferred outflows of resources related to pension and other postemployment benefits (OPEB) were \$115,976 at June 30, 2020.

Using this Financial 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 Changes in Net Position, and a Statement of Cash Flows.

Reporting the School as a Whole

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the School's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the Statement of Net Position - as one way to measure the School's financial health or financial position. Over time, increases or decreases in the School's net position - as reported in the Statement of Net Position - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the School, to assess the overall health of the School.

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the activities for the School, which encompass all the School's services, including instruction, support services and community services. Unrestricted State aid finances most of these activities.

Table 1 provides a summary of the School's net position for fiscal year 2020. Comparative information is not available as fiscal year 2020 is the first year of operations for the School.

Table 1
Net Position

	2020
Assets:	
Cash and Current Assets	\$ 2,536,094
Deferred Outflows of Resources:	
Pension	96,340
OPEB	19,636
<i>Total Deferred Outflows of Resources</i>	115,976
Liabilities:	
Current Liabilities	2,526,094
Net Position:	
Unrestricted	\$ 125,976

The School received \$10,000 from the School's management company, K12 Virtual Schools L.L.C. (K12) prior to July 1, 2019 to offset start-up costs.

Current assets include cash and cash equivalents, prepaid assets, accounts receivable, and intergovernmental receivables. Accounts receivable includes an amount due from K12, for a Balanced Budget Credit of \$1,778,667.

Current liabilities include accounts payable, accrued wages and benefits, intergovernmental payable, and unearned revenue. Accounts payable includes \$2,278,883 due to K12 for administrative services, technology services, and educational products and services. Included in accounts payable due to K12 is a \$425,000 advance to cover start-up costs, and is expected to be repaid in fiscal year 2021.

Deferred outflows of resources related to pension and OPEB contributions to the retirement systems totaled \$115,976 at fiscal year-end.

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

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

Table 2 shows the changes in net position for fiscal year 2020, as well as a listing of revenues and expenses. Comparative information is not available as fiscal year 2020 is the first year of operations for the School.

Table 2
Changes in Net Position

	2020
Operating Revenues:	
Foundation	\$ 1,459,609
Special Education	227,577
Other Operating Revenue	351
Non-Operating Revenue	
Grants and Program Initiatives	7,024
<i>Total Revenues</i>	1,694,561
 Operating Expenses:	
Salaries	809,057
Fringe Benefits	176,335
Purchased Services	322,864
Materials and Supplies	138,698
Other Operating Expenses	131,631
<i>Total Operating Expenses</i>	1,578,585
 Total Increase in Net Position	\$ 115,976

The revenue generated by a community school is almost entirely dependent on the per-pupil allotment given by the State foundation and other State and local grant programs. The School provided services to approximately 465 students in its first year of operation. Foundation revenue was 86% of total revenues. Special Education revenue is weighted based on the category of disability of the Special Education students enrolled in the School. Non-operating revenue during the fiscal year included casino revenue from the State.

The School contracted with K12 to provide administrative services, technology services, and educational programs and services.

Debt

The School had no debt obligations outstanding at June 30, 2020.

Capital Assets

The School had no capital assets to report at June 30, 2020.

Current Financial Related Activities

The School's financial outlook over the next several years should remain steady as enrollment is expected to increase. The management team and Board of Trustees intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net position.

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

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

Contacting the School's Financial Management

This financial report is designed to provide all stakeholders with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Dawn Cummings, School Treasurer, Ohio Digital Learning School, 1745 Indian Wood Circle, Suite 210, Maumee, Ohio 43537.

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:	
Cash and Cash Equivalents	\$ 689,185
Prepaid Assets	9,956
Accounts Receivable	1,780,479
Intergovernmental Receivable	<u>56,474</u>
Total assets	<u>2,536,094</u>
Deferred outflows of resources:	
Pension - STRS	96,340
Pension - SERS	<u>19,636</u>
Total deferred outflows of resources	<u>115,976</u>
Liabilities:	
Accounts payable	2,354,517
Accrued wages and benefits	131,215
Intergovernmental payable	15,362
Unearned Revenue	<u>25,000</u>
Total liabilities	<u>2,526,094</u>
Net position:	
Unrestricted	<u>125,976</u>
Total net position	<u>\$ 125,976</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating revenues:	
Foundation revenue	\$ 1,459,609
Special Education	227,577
Other Revenue.	351
Total operating revenues	1,687,537
Operating expenses:	
Salaries and wages.	809,057
Fringe benefits.	176,335
Purchased services.	322,864
Materials and supplies	138,698
Other.	131,631
Total operating expenses.	1,578,585
Operating Income.	108,952
Non-operating revenues:	
Grants Received - State and Local.	7,024
Change in net position	115,976
Net position at beginning of year. . .	10,000
Net position at end of year	\$ 125,976

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from special education	\$ 225,470
Cash received from other revenue	434,026
Cash received from foundation payments	1,461,245
Cash payments for suppliers for goods and services.	(347,073)
Cash payments for employees for services.	(691,869)
Cash payments for employee benefits	(318,925)
Cash payments for other expenses	(114,728)
	<hr/>
Net cash provided by operating activities.	648,146
Cash flows from noncapital financing activities:	
Cash received from grants.	32,023
	<hr/>
Net change in cash	680,169
Cash at beginning of year	9,016
Cash at end of year	\$ 689,185
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Reconciliation of operating income to net cash provided by operating activities:	
Operating Income.	\$ 108,952
Adjustments:	
Changes in assets and liabilities:	
Increase in accounts receivable	(1,779,494)
Increase in prepaid items	(9,956)
Increase in intergovernmental receivable	(56,474)
Increase in deferred outflows related to pension	(115,976)
Increase in accounts payable.	2,354,517
Increase in accrued wages and benefits.	131,215
Increase in intergovernmental payable.	15,362
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Net cash provided by operating activities.	\$ 648,146
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

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

1. DESCRIPTION OF THE SCHOOL

Ohio Digital Learning School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is a Department of Education-designated Dropout Prevention and Recovery School established to help students in grades 9-12 ages 16-21 reach their true potential. The School is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) on May 15, 2019, for a period of five academic years commencing on July 1, 2019 and expiring on 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 (see Note 15).

The School operates under the direction of a five member Board of Trustees. The Board is responsible for carrying out the provisions of the contract that 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 oversees the School's 3 instructional/support staff and 19 certificated teaching and other personnel who provide services to approximately 465 students.

The School contracts with K12 Virtual Schools LLC. (K12) for a variety of services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment for teachers and students (see Notes 13 and 14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity Omnibus and Amendment of GASB Statements No. 14 and No. 34". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the School, this includes general operations of the School. Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statement of the reporting entity includes only those of the School (the primary government). The School has no component units.

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

B. Basis of Presentation

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

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

C. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

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

D. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will 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 have been reported on the Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

E. 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, except under Ohio Revised Code Section 5705.391, the School must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction. In addition, the Sponsor does prescribe an annual budget requirement in addition to preparing the five year spending plan which is to be updated on an annual basis.

F. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account.

G. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of over \$5,000 for all assets with a useful life of one year or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of capital assets is computed using the straight-line method and the School utilizes the useful lives established by the IRS.

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. For the fiscal year ended June 30, 2020 State Foundation Program revenue was \$1,459,609 and revenue from the Special Education Program was \$227,577.

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

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

The School received \$7,024 in casino revenue during fiscal year 2020, which is reported in nonoperating State and local grants.

I. Accrued Liabilities

The School has recognized certain liabilities on its Statement of Net Position relating to expenses which are due but unpaid as of June 30, 2020 including: accounts and intergovernmental payables and accrued wages and benefits.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the deferred outflows of resources related to pensions/OPEB, 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 plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

L. Estimates

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

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

M. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the School and the expense is recorded when used. Prepayments at June 30, 2020 consist primarily of rental and technology fees.

3. DEPOSITS

At June 30, 2020, the carrying amount of the School's deposits totaled \$689,185 and its bank balance was \$707,497. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of June 30, 2020, \$457,497 of the bank balance was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial risk.

4. RECEIVABLES

Accounts receivable at June 30, 2020 consisted of \$1,778,667 due from K12 for the Balanced Budget Credit (see Note 16 for detail) and \$1,812 in miscellaneous receivables.

Intergovernmental receivables at June 30, 2020 mostly consisted amounts due of from the Ohio Department of Education (ODE) and the School Employees Retirement System in the amount of \$56,003 and \$471, respectively. These revenues are considered due collectible in full due to the stable condition of State programs.

5. INSTRUCTION

Approximately 87 percent of operating expenditures are used to provide direct instruction to students. Costs by various categories are as follows:

Service Type	Amount
Teacher Salaries, Benefits and Expenses	\$ 953,640
Student On-Line Curriculum	4,222
Student Computers, Internet and Technology	54,026
Pupil Support Salaries, Benefits and Expenses	279,834
Special Education Services	87,944
<i>Total</i>	\$ 1,379,666

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2020, the School obtained liability insurance through Arthur J. Gallagher with the following insurance coverage:

General Aggregate Limit (other than Products - Completed Operations)	\$3,000,000
Products - Completed Operations Aggregate Limit	3,000,000
Personal & Advertising Limit	1,000,000

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Each Occurrence Limit	1,000,000
Fire Damage Limit	100,000
Medical Expense Limit	5,000

Settled claims have not exceeded these coverages in the current year.

B. Workers' Compensation

The School contracts with Insperity to provide payroll processing services. Insperity covers employee workers compensation and charges the School to cover the cost.

C. Employee Medical, Dental, Vision, Prescription and Life Benefits

The School contracts with Insperity to provide employee Medical, Dental, Vision, Prescription and Life Benefits.

7. DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services 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 benefits	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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one 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% of their annual covered salary and the School is required to contribute 14% of annual covered payroll.

**OHIO DIGITAL LEARNING SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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% for plan members and 14% 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%.

The School's contractually required contribution to SERS was \$19,636 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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 fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The School was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$96,340 for fiscal year 2020. Of this amount, \$15,362 is reported as an intergovernmental payable.

Deferred Outflows 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 actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

	SERS	STRS	Total
Deferred outflows of resources			
Contributions subsequent to the measurement date	<u>\$ 19,636</u>	<u>\$ 96,340</u>	<u>\$ 115,976</u>

\$115,976 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.

8. DEFINED BENEFIT OPEB PLANS

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS'

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(Continued)

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% 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 post-employment 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School's surcharge obligation was \$0.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

9. CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2020.

B. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2020. Adjustments have not been finalized but are expected to be minimal.

The School's September 4 and November 16, 2020 foundation settlement receipts included the FTE adjustments for fiscal year 2020. The total adjustment was an increase of \$472 and is not material to or included in the financial statements as of June 30, 2020.

In addition, the School's contracts with their Sponsor, require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 were required and have been finalized. The impact on the fiscal year 2020 financial statements, related to additional reconciliation necessary with this contract, resulted in an increase of \$1 owed to the School's sponsor. This amount is not material to the School's financial statements at fiscal year-end and has not been recorded.

10. OPERATING LEASES

The School leases an office facility under an operating lease. The lease commenced May 15, 2019 and terminates on June 30, 2024. Total lease payments were \$83,600 for the year ended June 30, 2020. The future minimum lease payments, excluding taxes and common area operating expenses, for this lease are as follows:

Fiscal Year Ending June 30,	Amount
2021	\$ 91,200
2022	91,200
2023	91,200
2024	91,200
<i>Total Minimum Lease Payments</i>	\$ 364,800

11. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2020, purchased service expenses were payments for services rendered by various vendors, as follows:

Service Type	Amount
Professional/Technical Services	\$ 173,595
Property Services	107,000
Communications	32,837
Travel	8,017
Contracted Trade Services	1,415
<i>Total</i>	\$ 322,864

12. TAX EXEMPT STATUS

The School was approved for tax exempt status under § 501(c)(3) of the Internal Revenue Code.

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LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

13. MANAGEMENT AGREEMENT

The School entered into a five-year contract, effective July 1, 2019 through June 30, 2024, with K12 Virtual Schools, LLC. (K12) for educational, administrative and technology services. Per the management agreement, K12 is entitled to 15% percent of revenues as an administrative fee (management) and 7% of revenues as a technology fee. The educational services are purchased at the prevailing rate charged by K12 Inc. to its partner schools. Terms of the contract require K12. to provide the following:

A. Administrative services:

- Personnel and facility management
- Administration of all business aspects and day-to-day management of the School
- Budgeting and financial reporting and the annual reports
- Financial management
- Maintenance of financial and student records
- Pupil recruitment, admissions and student discipline
- Rules and procedures and nondiscrimination requirements
- Public relations
- Teacher effectiveness and training
- Sponsor policies and charter renewal

B. Technology services:

- 24/7 monitoring of production services. i.e., SIMS and the on-line learning management system
- Monitor and analyze data, as necessary
- Report on pupils' academic performance
- Seek and secure competitive pricing and discounts for School, as available
- Provide training to staff, as deemed necessary
- Develop community tools on the School's website and K12 platform
- Determine hardware configurations (including software and operating systems)
- Provide onsite and telephone support for the School Administration in troubleshooting system errors
- Telephone support for students
- Propose policies and procedures regarding the responsible use of computer equipment
- Support teachers and associates in answering technology related questions from students, parents, teachers and administrators
- Ensure electronic integrity of student records (through the use of encryption, firewalls, etc.)
- Provide web-filtering device
- Provide online enrollment, registration and placement services,
- Provide email accounts for school employees
- Coordinate web hosting contracts and relationships with vendors across the state as needed

C. Educational products and services:

- Curriculum
- Instructional tools and materials
- Instructional support
- Computers
- Testing support

The School received an advance of \$725,000 from K12 during fiscal year 2020 to cover the payment of Start Up Costs. \$300,000 was repaid by June 30, 2020, and the balance of \$425,000 is expected to be repaid during fiscal year 2021. The outstanding advance is included in the \$2,278,883 accounts payable to K12 Inc. at June 30, 2020. The School accrued interest and fiscal charges of \$16,180 on the advances during fiscal year 2020.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

14. K12 INC. MANAGEMENT COMPANY DISCLOSURE

For the fiscal year ended June 30, 2020, K12 Inc. incurred the following expenses in support of the School:

Direct Expenses (Object Code)	Regular Instruction (1100 Function) Codes)	Special Instruction (1200 Function) Codes)	Support Services (2000 Function) Codes)	Non-Instructional (3000 through 7000 Function) Codes)	Total
Salaries and Wages (100)	\$ -	\$ -	\$ 525,223	\$ -	\$ 525,223
Employees' Benefits (200)	-	-	131,627	-	131,627
Professional & Technical Services (410)	-	-	73,067	-	73,067
Property Services (420)	-	-	3,169	-	3,169
Travel (430)	-	-	13,525	-	13,525
Communications (440)	-	-	104,764	-	104,764
Contracted Craft or Trade Services (460)	-	-	2,135	-	2,135
Other Purchased Services (490)	-	-	15,644	-	15,644
Books, Periodicals, & Films (520, 530, 540)	83,148	10,679	-	-	93,827
Other Supplies (510, 550, 570, 580, 590)	-	-	39,198	-	39,198
Depreciation	-	-	-	45,890	45,890
Interest (820)	-	-	-	4,136	4,136
Dues and Fees (840)	-	-	42,925	-	42,925
Other Direct Costs (all other object codes)	-	-	29,674	-	29,674
<i>Total Allocated Direct Expenses</i>	<u>83,148</u>	<u>10,679</u>	<u>980,951</u>	<u>50,026</u>	<u>1,124,804</u>
<i>Overhead</i>	<u>-</u>	<u>-</u>	<u>275,914</u>	<u>-</u>	<u>275,914</u>
<i>Total Direct Expenses and Overhead</i>	<u>\$ 83,148</u>	<u>\$ 10,679</u>	<u>\$ 1,256,865</u>	<u>\$ 50,026</u>	<u>\$ 1,400,718</u>

Overhead expenses were allocated to the School based on the ratio of revenue earned from the School to total revenue from all schools managed by K12.

15. SPONSOR

The School was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of five academic years commencing on July 1, 2019 through June 30, 2024. As part of this contract, the Sponsor is paid an oversight fee which is 3 percent of the total State Foundation funds received during the year. The total amount paid to the Sponsor for fiscal year 2020 was \$50,438.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

16. BALANCED BUDGET CREDITS

The School and K12 agreed to take all reasonable steps necessary to avoid a deficit net position at fiscal year-end, excluding adjustments related to GASB Statements No. 68 and 75, during the term. At the end of the year, if necessary, based on the School's audited financial statements, K12 will issue sufficient credits, Balanced Budget Credits, during the term to be applied to K12 invoices. If the cumulative total of Balanced Budget Credit exceeds the total of the administrative services fee and the technology fee due to K12 for the current fiscal year, K12 can issue additional credits as needed. All Balanced Budget Credits shall be accounted for and documented.

If the School's budget ends a fiscal year in a positive net position, as evidenced by its audited financial statements in accordance with GAAP, and K12 has issued Balanced Budget Credits, the Board and K12 will remit to K12 the Positive Net Position for the fiscal year, to the extent not prohibited by law, up to the cumulative amount of previously issued Balanced Budget Credits.

For the year ended June 30, 2020, the School received a Balanced Budget Credit of \$1,778,667.

17. BEGINNING NET POSITION

The School received \$10,000 from K12 prior to July 1, 2019 to offset start-up costs.

18. 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 School's investments of the pension and other employee benefit plan in which the School participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. 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.

**OHIO DIGITAL LEARNING SCHOOL
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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FISCAL YEAR

	<u>2020</u>
Contractually required contribution	\$ 19,636
Contributions in relation to the contractually required contribution	<u>(19,636)</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's Covered Payroll	\$ 140,257
Contributions as a percentage of covered payroll	14.00%

Note: Fiscal year 2020 was the first year of contributions for the School. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FISCAL YEAR

	<u>2020</u>
Contractually required contribution	\$ 96,340
Contributions in relation to the contractually required contribution	<u>(96,340)</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's Covered Payroll	\$ 688,143
Contributions as a percentage of covered payroll	14.00%

Note: Fiscal year 2020 was the first year of contributions for the School. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FISCAL YEAR

	<u>2020</u>
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's Covered Payroll	\$ 140,257
Contributions as a percentage of covered payroll	0.00%

Note: Fiscal year 2020 was the first year of contributions for the School. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**OHIO DIGITAL LEARNING SCHOOL
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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FISCAL YEAR

	<u>2020</u>
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's Covered Payroll	\$ 688,143
Contributions as a percentage of covered payroll	0.00%

Note: Fiscal year 2020 was the first year of contributions for the School. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**OHIO DIGITAL LEARNING SCHOOL
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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

**OHIO DIGITAL LEARNING SCHOOL
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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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

Ohio Digital Learning School
Lucas County
1745 Indian Wood Circle
Maumee, Ohio 43537

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 Ohio Digital Learning School, Lucas 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 and have issued our report thereon dated May 17, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 17, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Digital Learning School
Lucas County
1745 Indian Wood Circle
Maumee, Ohio 43537

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 Ohio Digital Learning School, Lucas 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.

We inspected the Board minutes and observed that the Board adopted an anti-harassment policy at its meeting on September 23, 2020.

Ohio Rev. Code Section 3313.666 and Ohio Rev. Code Section 3314.03(a)(11)(d) specifies 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.;
3. A procedure for reporting prohibited incidents;

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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

OHIO AUDITOR OF STATE KEITH FABER



OHIO DIGITAL LEARNING SCHOOL

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 6/8/2021

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