

**NORTHEAST OHIO COLLEGE
PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Northeast Ohio College Preparatory School
2357 Tremont Avenue
Cleveland, Ohio 44113

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio College Preparatory School, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

February 02, 2022

This page intentionally left blank.

**NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	15
Required Supplementary Information:	
Schedule of the School's Proportionate Share of the Net Pension Liability	42
Schedule of School Contributions - Pension	44
Schedule of the School's Proportionate Share of the Net OPEB Asset/Liability	46
Schedule of School Contributions - OPEB	48
Notes to Required Supplementary Information	50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	55
Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards	58
Schedule of Findings and Questioned Costs	59

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northeast Ohio College Preparatory School
2357 Tremont Avenue
Cleveland, Ohio 44113

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeast Ohio College Preparatory School, Cuyahoga County, Ohio, (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Ohio College Preparatory School, Cuyahoga County, Ohio, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As disclosed in Note 17 to the financial statements, the School has suffered recurring losses from operations and has a net position deficit that raises substantial doubt about its ability to continue as a going concern. Note 17 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The *Schedule of Expenditures of Federal Awards*, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Rea & Associates
Medina, Ohio
December 28, 2021

This Page Intentionally Left Blank

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

The discussion and analysis of the Northeast Ohio College Preparatory School (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and 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.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2020-21 school year are as follows:

- Total Assets and Deferred Outflows of Resources decreased \$296,083.
- Total Liabilities and Deferred Inflows of Resources decreased \$2,125,175.
- Total Net Position increased \$1,829,092.
- Total Operating and Non-Operating revenues were \$6,928,397. Total Operating and Non-Operating expenses were \$5,099,305.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2021. These statements include all assets and deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Statement of Net Position - The Statement of Net Position answers the question of how the School did financially during 2021. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic 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 2021 compared to fiscal year 2020.

**Table 1
Statement of Net Position**

	2021	2020
Assets		
Current Assets	\$ 1,124,322	\$ 1,066,207
Noncurrent Assets	365,898	952,154
Capital Assets, Net	114,153	11,766
Total Assets	<u>1,604,373</u>	<u>2,030,127</u>
Deferred Outflows of Resources	<u>857,576</u>	<u>727,905</u>
Liabilities		
Current Liabilities	1,611,048	2,806,723
NonCurrent Liabilities	4,152,137	3,945,676
Total Liabilities	<u>5,763,185</u>	<u>6,752,399</u>
Deferred Inflows of Resources	<u>1,769,059</u>	<u>2,905,020</u>
Net Position		
Invested in Capital Assets	114,153	11,766
Unrestricted	<u>(5,184,448)</u>	<u>(6,911,153)</u>
Total Net Position	<u>\$ (5,070,295)</u>	<u>\$ (6,899,387)</u>

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2021, the School's net position totaled \$(5,070,295), which includes impact of net pension/OPEB liabilities and related accruals totaling (\$4,805,227).

Current assets represent cash and cash equivalents, intergovernmental receivables, accounts receivable, and notes receivable. Current liabilities represent accounts payable, accrued expenses, current portion of notes payable, and advances payable.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

There was a significant change in net pension / OPEB liability / asset for the school. The fluctuations are due to changes in the actuarial liabilities / assets and related accruals that are passed through to the school's financial statement. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows / inflows and net pension liabilities/net OPEB liabilities/net OPEB assets and are described in more detail in their respective notes.

The increase in current assets was due to an increase in cash from operations, and intergovernmental receivables offset by decreases in note receivable and accounts receivable. The decrease in current liabilities is due to the decreased balance in accounts payables outstanding at year end.

This Space Intentionally Left Blank.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Statement of Revenues, Expenses and Changes in Net Position - Table 2 shows the change in Net Position for fiscal years 2021 and 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.

**Table 2
Change in Net Position**

	2021	2020
Operating Revenues		
State Aid	\$ 4,614,529	\$ 4,002,249
Miscellaneous	10,002	2,209
Total Operating Revenues	4,624,531	4,004,458
Operating Expenses		
Salaries	2,221,366	2,077,083
Fringe Benefits	(293,154)	(399,824)
Purchased Services	2,871,806	2,326,733
Supplies	102,767	87,595
Depreciation	68,844	11,767
Other	28,378	47,291
Total Operating Expenses	5,000,007	4,150,645
Operating Income (Loss)	(375,476)	(146,187)
Non-Operating Revenues (Expenses)		
Federal and State Grants	1,848,736	1,014,673
Intergovernmental Revenue	441,780	322,342
Interest Income	13,350	24,989
Interest Expense	(99,298)	(181,129)
Net Non-Operating Revenues (Expenses)	2,204,568	1,180,875
Change in Net Position	\$ 1,829,092	\$ 1,034,688

State Aid increased due to increases in enrollment and Federal Grants revenue increased during the year due to receipt of additional COVID-19 related grant allocations. In addition, various operating expenses increased due to increased enrollment such as salaries. In addition to the increases highlighted above, pension expense decreased due to changes in the net pension/OPEB liability/assets and related accruals. See Note 10 and 11 for additional details.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS

At fiscal year-end, the net book value of the School's capital assets was \$114,153. For more information on capital assets, see Note 5 of the Basic Financial Statements.

DEBT

During the fiscal year, the School received working capital monies from Charter School Capital through a receivables purchase agreement. As the School receives monthly State funding, these advances are repaid, however, the School may elect to receive additional advances from Charter School Capital by entering into additional agreements. For more information in advances see Note 6 of the Basic Financial Statements. In addition, the School has a note payable outstanding with ACCEL (management company, see note 15) in the amount of \$227,320 to cover prior year lease costs due to lessor. See Note 7 for further information.

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. In 2021, the State decreased the base per pupil funding to \$5,980, which is down from \$6,020 in the previous year. This decrease was attributable to the impacts of COVID-19 (See Note 18). Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be \$250 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2021 was 526 compared to a figure of 458 at the end of fiscal year 2020.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, 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 the School's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, 2357 Tremont Avenue, Cleveland, Ohio 44113.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO
Statement of Net Position
June 30, 2021

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 297,001
Notes Receivable - Current Portion	48,094
Accounts Receivable	370,696
Intergovernmental Receivable	408,531
Total Current Assets	1,124,322

Noncurrent Assets:

Net OPEB Asset	258,393
Notes Receivable - NonCurrent Portion	107,505
Capital Assets, net of Accumulated Depreciation	114,153
Total Non-Current Assets	480,051

Total Assets 1,604,373

Deferred Outflows of Resources:

Pension (STRS & SERS)	797,867
OPEB (STRS & SERS)	59,709
Total Deferred Outflows of Resources	857,576

Liabilities:

Current Liabilities:

Accounts Payable, Trade	122,090
Accounts Payable, Related Party	188,294
Accrued Expenses	132,944
Advances Payable	940,400
Current Portion of Long-Term Debt	227,320
Total Current Liabilities	1,611,048

Noncurrent Liabilities:

Net Pension Liability	4,008,412
Net OPEB Liability	143,725
Total Noncurrent Liabilities	4,152,137

Total Liabilities 5,763,185

Deferred Inflows of Resources:

Pension (STRS & SERS)	901,460
OPEB (STRS & SERS)	867,599
Total Deferred Inflows of Resources	1,769,059

Net Position:

Invested in Capital Assets	114,153
Unrestricted Net Position	(5,184,448)
Total Net Position	\$ (5,070,295)

See Accompanying Notes to the Basic Financial Statements

**NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
 CUYAHOGA COUNTY, OHIO
 Statement of Revenues, Expenses and Changes in Net Position
 For the Fiscal Year Ended June 30, 2021**

Operating Revenues:	
State Aid	\$ 4,614,529
Miscellaneous	10,002
Total Operating Revenues	4,624,531
 Operating Expenses:	
Salaries	2,221,366
Fringe Benefits	(293,154)
Purchased Services	2,871,806
Depreciation	68,844
Supplies	102,767
Other Operating Expenses	28,378
Total Operating Expenses	5,000,007
Operating Income (Loss)	(375,476)
 Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	1,848,736
Intergovernmental Revenue	441,780
Interest Income	13,350
Interest Expense	(99,298)
Net Non-operating Revenues and (Expenses)	2,204,568
Change in Net Position	1,829,092
Net Position - Beginning of Year	(6,899,387)
Net Position - End of Year	\$ (5,070,295)

See Accompanying Notes to the Basic Financial Statements

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

State Aid Receipts	\$	4,614,529
Miscellaneous		10,002
Cash Payments to Employees for Services		(2,221,366)
Cash Payments for Employee Benefits		(563,053)
Cash Payments to Suppliers for Goods and Services		(4,249,737)
Net Cash Provided By (Used For) Operating Activities		(2,409,625)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Note Receivable Interest Receipts		13,350
Note Receivable Principal Receipts		837,300
Federal and State Grant Receipts		1,545,888
Intergovernmental Revenues		441,780
Charter School Capital Advances		2,821,200
Charter School Capital Cost of Funding		(93,615)
Charter School Capital Redemptions		(2,821,200)
Note Interest Expense Payments		(5,683)
Net Cash Provided By Noncapital Financing Activities		2,739,020

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Purchase of Capital Assets		(171,231)
Net Cash Provided By (Used For) Capital and Related Financing Activities		(171,231)

Net Increase/(Decrease) in Cash and Cash Equivalents 158,164

Cash and Cash Equivalents - Beginning of the Year		138,837
Cash and Cash Equivalents - Ending of the Year	\$	297,001

See Accompanying Notes to the Basic Financial Statements

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
CUYAHOGA COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (375,476)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	68,844
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Other Assets	250
(Increase)/ Decrease in Accounts Receivable	176,720
(Increase)/ Decrease in Net OPEB Asset	(25,117)
(Increase)/ Decrease in Deferred Outflows Pension	(113,897)
(Increase)/ Decrease in Deferred Outflows OPEB	(15,774)
Increase/ (Decrease) in Net Pension Liability	465,582
Increase/ (Decrease) in Net OPEB Liability	(31,801)
Increase/(Decrease) in Accounts Payable, Trade	(12,023)
Increase/(Decrease) in Accounts Payable, Related Party	(1,543,916)
Increase/(Decrease) in Accrued Expenses	132,944
Increase/ (Decrease) in Deferred Inflows Pension	(1,047,525)
Increase/ (Decrease) in Deferred Inflows OPEB	(88,436)
Net Cash Provided By (Used For) Operating Activities	<u>\$ (2,409,625)</u>

See Accompanying Notes to the Basic Financial Statements

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - DESCRIPTION OF THE ENTITY

The Northeast Ohio College Preparatory School, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. 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 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 Ohio Council of Community Schools ("OCCS") (the Sponsor) for a five-year period commencing on July 1, 2015 which has been established through June 30, 2025. 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 which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board controls the School's instructional and administrative staff. The contracts with ACCEL Schools of Ohio (management company, see note 15) to assist in the daily operations of the school.

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 Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes Net Position, financial position and cash flows.

The Government 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.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. Under this measurement focus, all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. 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 traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

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, 2021.

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 had a net book value of \$114,153 at June 30, 2021, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the asset which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Software	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 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 accompany statement of Net Position.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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

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

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

Also, during the fiscal year, the School received a pro-rata share of property tax distributions from the Cleveland Municipal School (CMSD) as part of a partnership agreement executed between the School and CMSD.

Under the above programs the School recorded \$4,614,529 this fiscal year from the Foundation Program and Casino Tax Revenues, \$1,848,736 from Federal and State Grants and \$441,780 of CMSD property tax distributions.

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, Accrued Expenses, Notes Payable, and Advances Payable and totaled \$1,611,048 at June 30, 2021.

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.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Inflows and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Note 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Note 10 and 11)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. Net Position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Operating and Non-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.

Non-operating revenues are those revenues that are not generated directly from the primary activities of the School. Various federal and state grants, interest earnings, if any, and other miscellaneous revenues comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any comprise the non-operating expenses.

Pensions/Other Postemployment Benefits (OPEB) – For purposes of measuring the net pension/OPEB asset/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.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, PNC 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, 2021, the book amount of the School's deposits was \$297,001 and the bank balance was \$317,761. \$252,474 of the bank balance was covered by Federal Depository Insurance, while \$65,287 was not covered by Federal Depository Insurance.

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. All bank deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral as permitted by the Ohio Revised Code is held in single financial collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits or as specific collateral held at the Federal Reserve Bank in the name of the School.

NOTE 4 - RECEIVABLES

The School had Accounts receivables totaling \$370,696 at June 30, 2021. These receivables represented reimbursements due to the School, but not received as of June 30, 2021. The School also had Intergovernmental receivables of \$408,531 at June 30, 2021. These receivables represented monies due to the School from the Foundation Program and Federal Grants, but not received as of June 30, 2021. Amounts are expected to be collected within one year.

Notes Receivable - During the fiscal year ending 2016, the School converted amounts owed from other community schools managed by I CAN Schools into promissory notes. The first note is with Lake Erie Preparatory in the amount of \$187,000. The note began on June 30, 2016 and matures on June 30, 2026. The annual interest rate is 3.5%. The second note with Akron Preparatory School in the amount of \$555,500. The note began on June 30, 2016 and matures on June 30, 2026. The annual interest rate is 3.5%. The third note is with Ohio College Preparatory School in the amount of \$105,000. The note began on June 30, 2016 and matures on June 30, 2026. The annual interest rate is 3.5%. The fourth note is with Canton College Preparatory School in the amount of \$475,000. The note began on June 30, 2016 and matures on June 30, 2026.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

The annual interest rate is 3.5%. A schedule of amounts due as of June 30, 2021 is as follows:

	Balance 06/30/20	Additions	Reductions	Balance 06/30/21	Due Within One Year
Lake Erie Preparatory School	\$ 114,715	\$ -	\$ (114,715)	\$ -	\$ -
Akron Preparatory School	338,376	-	(338,376)	-	-
Ohio College Preparatory School	64,808	-	(64,808)	-	-
Canton College Preparatory School	475,000	-	(319,401)	155,599	48,094
Total Notes Receivable	<u>\$ 992,899</u>	<u>\$ -</u>	<u>\$ (837,300)</u>	<u>\$ 155,599</u>	<u>\$ 48,094</u>

NOTE 5 - CAPITAL ASSETS

For the period ending June 30, 2021, the School's capital assets consisted of the following:

	Balance 06/30/20	Additions	Deletions	Balance 06/30/21
Capital Assets:				
Computers & Software	\$ 644,419	\$ 45,870	\$ -	\$ 690,289
Furniture, Fixtures, and Equipment	148,297	125,361	-	273,658
Textbooks	78,167	-	-	78,167
Total Capital Assets	<u>870,883</u>	<u>171,231</u>	<u>-</u>	<u>1,042,114</u>
Less Accumulated Depreciation:				
Computers & Software	(632,653)	(27,057)	-	(659,710)
Furniture, Fixtures, and Equipment	(148,297)	(41,787)	-	(190,084)
Textbooks	(78,167)	-	-	(78,167)
Total Accumulated Depreciation	<u>(859,117)</u>	<u>(68,844)</u>	<u>-</u>	<u>(927,961)</u>
Total Capital Assets, Net	<u>\$ 11,766</u>	<u>\$ 102,387</u>	<u>\$ -</u>	<u>\$ 114,153</u>

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 - ADVANCES PAYABLE

During the fiscal year ending 2021, the School received working capital advances from Charter School Capital through a receivables purchase agreement. As the School receives its monthly State funding, these advances are repaid, however, the School may elect to receive future advances from Charter School Capital by entering into additional agreements.

The total amount of advances payable at June 30, 2021 was \$940,400. The School paid \$93,615 in cost of funding charges during the fiscal year 2021. The activity for the year is reflected as follows:

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/21</u>
Charter School Capital	\$ 940,400	\$ 2,821,200	\$ (2,821,200)	\$ 940,400
	<u>\$ 940,400</u>	<u>\$ 2,821,200</u>	<u>\$ (2,821,200)</u>	<u>\$ 940,400</u>

NOTE 7 - LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2021 were as follows:

	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Due Within the Year</u>
Direct Borrowing:					
Notes Payable - Accel Schools	\$ 227,320	\$ -	\$ -	\$ 227,320	\$ 227,320
Total Long-Term Obligations	<u>\$ 227,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,320</u>	<u>\$ 227,320</u>

In fiscal year 2018, the School's management company, Accel Schools issued a note in the amount of \$227,320 to cover prior year lease costs due to lessor. The note has a maturity date of August 30, 2021 and an interest rate of 2.5%. No principal is due prior to the maturity date. Interest paid during 2021 was \$5,683.

In the event of default, the Lender, at its option, may if permitted by law, increase the interest rate up to 5.00 percentage points higher than the current interest rate in addition to the note becoming accelerate and immediately due and payable. If judgement is entered in connection with this note, interest will continue to accrue on this note after judgement at the interest rate applicable to this note at the time of judgement. Items of default include failure to make timely payments, failure to comply with management company contract, making false statements, dissolution or insolvency, creditor or forfeiture proceedings, or School closure.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 8 - PURCHASED SERVICES

For the period of July 1, 2020 through June 30, 2021, the School made the following purchased services commitments:

<u>Purchased Services</u>	<u>Amount</u>
Professional Services	\$ 1,975,088
Property Services	512,768
Utilities	128,386
Travel & Meetings	0
Communications	108,229
Contractual Trade	117,437
Pupil Transportation	29,898
Total	<u>\$2,871,806</u>

NOTE 9 - 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, 2021, the School contracted with Cincinnati Insurance Company for general liability insurance with a \$1,000,000 each occurrence/ \$2,000,000 annual aggregate, as well as, an umbrella policy with a \$10,000,000 aggregate limit. The School also had a \$1,000,000 School Leaders policy in place through National Union Fire Insurance. There were no settlements in excess of insurance coverage over the past 3 years, nor has insurance coverage significantly reduced from the prior year.

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

Employee Medical and Dental Benefits - The School provides medical, vision, and dental insurance benefits through Aetna to all full-time employees. During the School year, the School paid 90% of the monthly premiums for all employees.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

The net pension/OPEB liability (asset) 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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 before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School's contractually required contribution to SERS was \$34,777 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

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

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021, 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 2021 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contribution to STRS was \$262,321 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.0071548%	0.01408469%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.0068181%</u>	<u>0.01470236%</u>	
Change in Proportionate Share	<u>-0.0003367%</u>	<u>0.00061767%</u>	
Proportionate Share of the Net Pension Liability	\$ 450,964	\$ 3,557,448	\$ 4,008,412
Pension Expense	\$ (404,197)	\$ 5,455	\$ (398,742)

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

At June 30, 2021 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 877	\$ 7,981	\$ 8,858
Changes of assumptions	-	190,967	190,967
Net difference between projected and actual earnings on pension plan investments	28,627	172,999	201,626
Changes in proportion and differences between contributions and proportionate share of contributions	-	99,318	99,318
School contributions subsequent to the measurement date	<u>34,777</u>	<u>262,321</u>	<u>297,098</u>
Total Deferred Outflows of Resources	<u>\$ 64,281</u>	<u>\$ 733,586</u>	<u>\$ 797,867</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 22,748	\$ 22,748
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>38,240</u>	<u>840,472</u>	<u>878,712</u>
Total Deferred Inflows of Resources	<u>\$ 38,240</u>	<u>\$ 863,220</u>	<u>\$ 901,460</u>

This space intentionally left Blank.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

\$297,098 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 fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (33,724)	\$ (267,414)	\$ (301,138)
2023	4,095	(162,742)	(158,647)
2024	20,893	(65,189)	(44,296)
2025	-	103,390	103,390
		-	-
	\$ (8,736)	\$ (391,955)	\$ (400,691)
Total	\$ (8,736)	\$ (391,955)	\$ (400,691)

Actuarial Assumptions - SERS

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

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

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$ 617,765	\$ 450,964	\$ 311,014

Changes since measurement date:

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020 Actuarial Assumptions – STRS.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School's proportionate share of the net pension liability	\$ 5,065,187	\$ 3,557,448	\$ 2,279,765

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 11 - DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School's surcharge obligation was \$963.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/asset Prior Measurement Date	0.0069797%	0.01408469%	
Proportion of the Net OPEB Liability/asset Current Measurement Date	<u>0.0066131%</u>	<u>0.01470236%</u>	
Change in Proportionate Share	<u>-0.0003666%</u>	<u>0.00061767%</u>	
Proportionate Share of the Net OPEB Liability/(asset)	\$ 143,725	\$ (258,393)	\$ (114,668)
OPEB Expense	\$ (109,875)	\$ (50,290)	\$ (160,165)

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 1,886	\$ 16,557	\$ 18,443
Changes of assumptions	24,499	4,266	28,765
Net difference between projected and actual earnings on OPEB plan investments	1,618	9,057	10,675
Changes in proportion and differences between contributions and proportionate share of contributions	-	863	863
School contributions subsequent to the measurement date	<u>963</u>	<u>-</u>	<u>963</u>
Total Deferred Outflows of Resources	<u>\$ 28,966</u>	<u>\$ 30,743</u>	<u>\$ 59,709</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 73,094	\$ 51,469	\$ 124,563
Changes of assumptions	3,619	245,433	249,052
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>370,331</u>	<u>123,653</u>	<u>493,984</u>
Total Deferred Inflows of Resources	<u>\$ 447,044</u>	<u>\$ 420,555</u>	<u>\$ 867,599</u>

\$963 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 OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (114,179)	\$ (101,652)	\$ (215,831)
2023	(244,717)	(95,525)	(340,242)
2024	(36,001)	(93,379)	(129,380)
2025	(14,189)	(70,540)	(84,729)
2026	(7,350)	(16,372)	(23,722)
Thereafter	<u>(2,605)</u>	<u>(12,344)</u>	<u>(14,949)</u>
Total	<u>\$ (419,041)</u>	<u>\$ (389,812)</u>	<u>\$ (808,853)</u>

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School's proportionate share of the net OPEB liability	\$ 175,915	\$ 143,725	\$ 118,133

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School's proportionate share of the net OPEB liability	\$ 113,172	\$ 143,725	\$ 184,581

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	\$ 224,819	\$ 258,393	\$ 286,880

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	\$ 285,112	\$ 258,393	\$ 225,847

NOTE 12 - CONTINGENCIES

Grants - The School received financial assistance from federal and state agencies in the form of grants. Amount received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amount 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.

Full-time Equivalency - 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.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did perform a review on the School for fiscal year 2021.

As of the date of this report, all ODE adjustments for fiscal year 2021 have been completed.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discuss above, all ODE adjustments for fiscal year 2021 have been finalized. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

NOTE 13 - SPONSOR CONTRACT

The School contracted with Ohio Council of Community Schools as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a 3.00 percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2021, the total sponsorship fees paid totaled \$133,587.

NOTE 14 - LEASE OBLIGATIONS

In fiscal year 2018, the School's management company, Accel Schools entered into a lease with St. John Cantius in place of the School. The term of the lease was for a one-year period of time and can be extended on a month-to-month basis. Rent for both buildings on the parish campus is \$20,000 per month and is due from the School to Accel Schools. The School is directly responsible for related utilities on a pro-rata share of space utilized under the lease. Rent expense for the School for fiscal year 2021 was \$352,000. The lease has been renewed for an additional one year term.

This space intentionally left blank.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 - MANAGEMENT COMPANY and MANAGEMENT COMPANY EXPENSES

For fiscal year 2021 the School entered into an agreement with Accel Schools Ohio, LLC to provide management support services. The agreement is for a period beginning May 1, 2017 and ending on June 30, 2027. Management fees are calculated as 18% of the total revenues received from the State of Ohio. The total amount due from the School for the fiscal year ending June 30, 2021, was \$1,234,173 and included under "Purchased Services" on the Statements of Revenues, Expenses, and Changes in Net Position. Also, per the management agreement there are expenses that will be billed to the School based on the actual costs incurred by Accel Schools. These expenses include rent, salaries of employees working in at the School and other costs related to providing education and administrative services. The total amount billed during fiscal year 2021 was \$3,860,751.

For the periods ended June 30, 2021, Accel Schools Ohio, LLC, incurred the following expenses on behalf of the School:

	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<i>Direct Expenses:</i>					
Salaries & Wages (100 Object Codes)	\$ 1,558,865	\$ 344,812	\$ 288,552		\$ 2,192,229
Employees' Benefits (200 Object Codes)	197,773	54,084	45,786		297,643
Professional & Technical Services (410 Object Codes)	173,490		71,190		244,680
Property Services (420 Object Codes)			68,151		68,151
Supplies (500 Object Codes)	41,401		17,431		58,832
Other Direct Costs (All Other Object Codes)	25,460		8,443		33,903
<i>Indirect Expenses:</i>					
Overhead	-	-	619,213	-	619,213
Total Expenses	\$ 1,996,989	\$ 398,896	\$ 1,118,766	\$ -	\$ 3,514,651

Accel Schools charges expenses benefiting more than one school (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2021 by each school it manages.

NOTE 16 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

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

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

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

NOTE 17 - MANAGEMENT PLAN

For fiscal year 2021, the School had a net position deficit of \$(5,070,295). The School's net deficit in fiscal year 2021 improved from the \$(6,899,387) net deficit in fiscal 2020. Enrollment increased in fiscal year 2021 to 526, up from 458 in fiscal year 2020. The School's ability to maintain a stable administrative and instructional team along with active advertising via print, radio, mailings and through referrals of current parents is anticipated to help produce the likelihood of future enrollment growth leading to surpluses and provide an opportunity for the school to recover from its prior deficits.

NOTE 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. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidation Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 19 – SUBSEQUENT EVENTS

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

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

	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0068181%	0.0071548%	0.0095800%	0.0293879%	0.0430025%	0.0412487%	0.008441%	0.008441%
School's Proportionate Share of the Net Pension Liability	\$ 450,964	\$ 428,085	\$ 548,665	\$ 1,755,859	\$ 3,147,387	\$ 2,353,689	\$ 427,187	\$ 501,951
School's Covered Payroll	\$ 239,029	\$ 245,452	\$ 282,319	\$ 961,050	\$ 2,313,529	\$ 2,141,032	\$ 1,034,271	\$ 402,189
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.67%	174.41%	194.34%	182.70%	136.04%	109.93%	41.30%	124.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

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

	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.01470236%	0.01408469%	0.01901250%	0.02050610%	0.02332120%	0.02410020%	0.02103700%	0.02103700%
School's Proportionate Share of the Net Pension Liability	\$ 3,557,448	\$ 3,114,745	\$ 4,180,422	\$ 4,871,256	\$ 7,806,292	\$ 6,660,576	\$ 5,116,807	\$ 6,095,107
School's Covered Payroll	\$ 1,774,343	\$ 1,653,600	\$ 2,161,450	\$ 2,254,579	\$ 2,717,336	\$ 2,419,979	\$ 2,103,292	\$ 1,505,600
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	193.41%	216.06%	287.28%	275.23%	243.28%	404.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of School Contributions - Pension
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 34,777	\$ 33,464	\$ 33,136	\$ 38,113	\$ 134,547	\$ 323,894	\$ 282,188	\$ 143,350	\$ 55,663	\$ 30,193
Contributions in Relation to the Contractually Required Contribution	<u>(34,777)</u>	<u>(33,464)</u>	<u>(33,136)</u>	<u>(38,113)</u>	<u>(134,547)</u>	<u>(323,894)</u>	<u>(282,188)</u>	<u>(143,350)</u>	<u>(55,663)</u>	<u>(30,193)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 248,407	\$ 239,029	\$ 245,452	\$ 282,319	\$ 961,050	\$ 2,313,529	\$ 2,141,032	\$ 1,034,271	\$ 402,189	\$ 224,483
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of School Contributions - Pension
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 262,321	\$ 248,408	\$ 231,504	\$ 302,603	\$ 315,641	\$ 380,427	\$ 338,797	\$ 273,428	\$ 195,728	\$ 171,826
Contributions in Relation to the Contractually Required Contribution	<u>(262,321)</u>	<u>(248,408)</u>	<u>(231,504)</u>	<u>(302,603)</u>	<u>(315,641)</u>	<u>(380,427)</u>	<u>(338,797)</u>	<u>(273,428)</u>	<u>(195,728)</u>	<u>(171,826)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 1,873,721	\$ 1,774,343	\$ 1,653,600	\$ 2,161,450	\$ 2,254,579	\$ 2,717,336	\$ 2,419,979	\$ 2,103,292	\$ 1,505,600	\$ 1,321,738
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's Proportion of the Net OPEB Liability	0.0066131%	0.0069797%	0.0090952%	0.0291854%	0.0298712%
School's Proportionate Share of the Net OPEB Liability	\$ 143,725	\$ 175,526	\$ 252,325	\$ 783,260	\$ 851,440
School's Covered Payroll	\$ 239,029	\$ 245,452	\$ 282,319	\$ 961,050	\$ 2,313,529
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	60.13%	71.51%	89.38%	81.50%	36.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of the School's Proportionate Share of the Net OPEB, Asset/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
School's Proportion of the Net OPEB Liability/Asset	0.01470236%	0.01408469%	0.01901295%	0.02050610%	0.02332120%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (258,393)	\$ (233,276)	\$ (305,518)	\$ 800,070	\$ 1,247,221
School's Covered Payroll	\$ 1,774,343	\$ 1,653,600	\$ 2,161,450	\$ 2,254,579	\$ 2,717,336
School's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	35.49%	45.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	182.13%	174.74%	176.00%	47.11%	37.30%

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

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

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of School Contributions - OPEB
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution (1)	\$ 963	\$ 2,063	\$ 3,835	\$ 3,556	\$ 18,975	\$ 21,373	\$ 19,094	\$ 2,956	\$ 4,039	\$ 4,629
Contributions in Relation to the Contractually Required Contribution	(963)	(2,063)	(3,835)	(3,556)	(18,975)	(21,373)	(19,094)	(2,956)	(4,039)	(4,629)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School Covered Payroll	\$ 248,407	\$ 239,029	\$ 245,452	\$ 282,319	\$ 961,050	\$ 2,313,529	\$ 2,141,032	\$ 1,034,271	\$ 402,189	\$ 224,483
OPEB Contributions as a Percentage of Covered Payroll (1)	0.39%	0.86%	1.56%	1.26%	1.97%	0.92%	0.89%	0.29%	1.00%	2.06%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Required Supplementary Information
 Schedule of School Contributions - OPEB
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,033	\$ 15,056	\$ 13,217
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	(21,033)	(15,056)	(13,217)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Covered Payroll	\$ 1,873,721	\$ 1,774,343	\$ 1,653,600	\$ 2,161,450	\$ 2,254,579	\$ 2,717,336	\$ 2,419,979	\$ 2,103,292	\$ 1,505,600	\$ 1,321,738
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions - SERS

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

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

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - SERS

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

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2021.

Changes in Benefit Terms - STRS

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

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

Medicare

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

Changes in Assumptions – STRS

For fiscal year 2020 and 2021, the health care cost trend rates were modified.

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

NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL - CUYAHOGA COUNTY, OHIO

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Northeast Ohio College Preparatory School
2357 Tremont Avenue
Cleveland, Ohio 44113

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northeast Ohio College Preparatory School, Cuyahoga County, Ohio (the “School”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated December 28, 2021, in which we noted the School has suffered recurring losses from operations and has a net position deficit that raises substantial doubt about its ability to continue as a going concern.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
December 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Northeast Ohio College Preparatory School
2357 Tremont Avenue
Cleveland, Ohio 44113

Report on Compliance for Each Major Federal Program

We have audited the Northeast Ohio College Preparatory School, Cuyahoga County, Ohio (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
December 28, 2021

**NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Grant Year	Expenses	Total Provided to Subrecipients
U. S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010A	2021	\$ 651,752	\$ -
Title I - School Quality Improvement Grant	84.010A	2021	105,159	-
<i>Total Title I</i>			756,911	-
<i>Special Education Cluster:</i>				
IDEA Part B	84.027A	2021	89,243	-
<i>Total Special Education Cluster</i>			89,243	-
Education Stabilization Fund, COVID-19	84.425D	2021	490,313	-
Title II-A Improving Teacher Quality	84.367A	2021	101,901	-
<i>Total U.S. Department of Education</i>			1,438,368	-
U. S. Department of the Treasury				
<i>Passed Through the Ohio Department of Education:</i>				
Coronavirus Relief Funds	21.019	2021	48,823	-
<i>Total U.S. Department of the Treasury</i>			48,823	-
U. S. Department of Agriculture				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2021	7,111	-
School Breakfast Program (COVID-19)	10.553	2021	1,300	-
National School Lunch Program	10.555	2021	16,303	-
National School Lunch Program (COVID-19)	10.555	2021	3,125	-
<i>Total Child Nutrition Cluster</i>			27,839	-
<i>Total U.S. Department of Agriculture</i>			27,839	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,515,030	\$ -

The accompanying notes are an integral part of this schedule.

**NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 2 CFR 200.510(B)(6)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northeast Ohio College Preparatory School, Cuyahoga County, Ohio (the School) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE C - TRANSFERS

The School transferred the following funds between programs in fiscal year 2021:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.424A Title IV-A Student Support and Academic Enrichment	2021	\$ 65,113	
84.010A Title I	2021		\$ 65,113
		<u>\$ 65,113</u>	<u>\$ 65,113</u>

NOTE D - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State Grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

**NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 2 CFR §200.515
 JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d) (1) (iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list): Title I Education Stabilization Fund (COVID-19)	ALN# 84.010A ALN# 84.425D
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



**NORTHEAST OHIO COLLEGE PREPARATORY SCHOOL
CUYAHOGA 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 2/15/2022

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