L. HOLLINGWORTH SCHOOL
FOR THE TALENTED AND GIFTED
LUCAS COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

L. Hollingworth School for the Talented and Gifted
Lucas County
653 Miami Street
Toledo, Ohio 43605

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of L. Hollingworth School for the Talented and Gifted, Lucas County, Ohio (the School), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of L. Hollingworth School for the Talented and Gifted, Lucas County, Ohio, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during 2018, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2019, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

February 1, 2019

As management of the L. Hollingworth School for the Talented and Gifted (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Ending net position of the School was negative $1,933,566, an increase of $682,472 in comparison with the prior fiscal year-end.

- Total assets increased $75,224 from the prior year and total liabilities decreased $549,132 during this same 12-month period.

- The School's operating income for fiscal year 2018 was $191,774.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position 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 the economic resources measurement 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.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. 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 causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the School is meeting the cash flow needs of its operations.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension liability.

Financial Analysis

Table 1 provides a summary of the School's net position for 2018 and 2017:

Table 1
Net Position at Year End

	2018	Restated 2017
Assets:		
Current Assets	$ 400,624	$ 322,351
Capital Assets, Net	4,587,250	4,590,299
Total Assets	4,987,874	4,912,650
Deferred Ouflows of Resources	1,538,971	1,312,668
Liabilities		
Current Liabilities	392,398	352,438
Non-Current Liabilities	7,899,826	8,488,918
Total Liabilities	8,292,224	8,841,356
Deferred Inflows of Resources	168,187	-
Net Position:		
Net Investment in Capital Assets	139,509	419,660
Restricted	80,274	81,563
Unrestricted (Deficit)	(2,153,349)	(3,117,261)
Total Net Position (Deficit)	$ (1,933,566)	$ (2,616,038)

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School adopted 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.

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 OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the 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.

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

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

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from negative $1.8 million to negative $2.6 million.

The net pension and net OPEB liabilities both decreased significantly in comparison with the prior fiscal year-end. These decreases are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Table 2 provides a summary of the School's change in net position for 2018 and 2017:

Table 2
Changes in Net Position

	2018	Restated 2017
Operating Revenues:		
Foundation Revenues	$ 2,398,668	$ 2,421,204
Other Unrestricted Grants-in-Aid	84,652	84,995
Charges for Services	1,791	19,432
Classrooom Fees	3,460	3,373
Miscellaneous	14,995	56,407
Total Operating Revenues	2,503,566	2,585,411
Operating Expenses:		
Salaries and Wages	1,529,718	1,412,800
Fringe Benefits	(474,698)	723,031
Purchased Services	651,733	665,901
Materials and Supplies	331,452	310,615
Depreciation	225,837	208,118
Other	47,750	29,583
Total Operating Expenses	2,311,792	3,350,048
Operating Income (Loss)	191,774	(764,637)
Nonoperating Revenues (Expenses)		
Federal Grants	577,870	602,929
State Grants	265,543	300,631
Contributions and Donations	-	332
Interest and Fiscal Charges	(352,715)	(254,370)
Total Nonoperating Revenues (Expenses)	490,698	649,522
Change in Net Position	682,472	(115,115)
Net Position, Beginning of Year (Deficit)	(2,616,038)	N/A
Net Position, End of the Year (Deficit)	$ (1,933,566)	$ (2,616,038)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $6,706 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $78,135. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$	2,311,792
Negative OPEB expense under GASB 75		78,135
2018 contractually required contribution		9,241
Adjusted 2018 operating expenses		2,399,168
Total 2017 operating expenses under GASB 45		3,350,048
Decrease in operating expenses not related to OPE	$	(950,880)

This decrease in operating expenses is primarily the result of a significant decrease in pension expense from $493,454 in fiscal year 2017 to negative $613,679 in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Capital Assets

At fiscal year-end, the School's net capital asset balance was $4.6 million, a decrease of $3,049 in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation exceeded current year acquisitions. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

At fiscal year-end, the School's loan payable balance was $4.4 million. The loan balance increased by $266,010 due to the School refinancing the debt with additional funds being issued exceeding principal payments. For more information on the School's loan payable, see Note 6 to the basic financial statements.

Current Financial Issues

The School is dependent upon legislative and governmental support to fund ongoing operations. The School is expected to grow in both the number of students and support staff, which will impact the School's funding since the School receives a majority of its financial support from per student state foundation payments.

Contacting the School

This financial report is designed to provide a general overview of the finances of the L Hollingworth School for the Talented and Gifted and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of L Hollingworth School for the Talented and Gifted, 653 Miami Street, Toledo, Ohio 43605.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Assets:	
Current Assets	
Cash and Cash Equivalents	$ 350,346
Intergovernmental Receivable	43,588
Prepaid Items	6,690
Total Current Assets	400,624
Noncurrent Assets	
Nondepreciable Capital Assets	48,200
Depreciable Capital Assets, Net	4,539,050
Total Noncurrent Assets	4,587,250
Total Assets	4,987,874
Deferred Outflows of Resources:	
Pension	1,469,848
OPEB	69,123
Total Deferred Outflows of Resources	1,538,971
Liabilities:	
Current Liabilities	
Accounts Payable	52,006
Accrued Wages and Benefits Payable	165,211
Intergovernmental Payable	41,372
Capital Lease Payable	2,560
Loans Payable	131,249
Total Current Liabilities	392,398
Noncurrent Liabilities:	
Capital Lease Payable	8,532
Loan Payable	4,305,400
Net Pension Liability	2,893,242
Net OPEB Liability	692,652
Total Noncurrent Liabilities	7,899,826
Total Liabilities	8,292,224
Deferred Inflows of Resources:	
Pension	91,561
OPEB	76,626
Total Deferred Inflows of Resources	168,187
Net Position:	
Net Investment in Capital Assets	139,509
Restricted	80,274
Unrestricted (Deficit)	(2,153,349)
Total Net Position (Deficit)	$ (1,933,566)

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenues:	
Foundation Revenues	$ 2,398,668
Other Unrestricted Grants-in-Aid	84,652
Charges for Services	1,791
Classroom Fees	3,460
Miscellanous	14,995
Total Operating Revenues	2,503,566
Operating Expenses:	
Salaries and Wages	1,529,718
Fringe Benefits	(474,698)
Purchased Services	651,733
Materials and Supplies	331,452
Depreciation	225,837
Other	47,750
Total Operating Expenses	2,311,792
Operating Income	191,774
Non-Operating Revenues (Expenses):	
Federal Grant Revenue	577,870
State Grant Revenue	265,543
Interest and Fiscal Charges	(352,715)
Total Non-Operating Revenues (Expenses)	490,698
Change in Net Position	682,472
Net Position Beginning of Year (Deficit), Restated	(2,616,038)
Net Position End of Year (Deficit)	$ (1,933,566)

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 2,477,347
Received from Customers	1,791
Received from Classroom Fees	3,460
Received from Miscellaneous	14,995
Payments to Suppliers for Goods and Services	(962,451)
Payments to Employees for Services and Benefits	(1,974,295)
Payments for Other Operating Disbursements	(47,656)
Net Cash Used for Operating Activities	(486,809)
Cash Flows from Noncapital Financing Activities:	
Received from Federal Grants	586,087
Received from State Grants	265,543
Net Cash Provided by Noncapital Financing Activities	851,630
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(199,996)
Received from Loans	4,560,000
Payments for Loan and Lease Principal	(4,296,337)
Payments for Loan and Lease Interest	(262,246)
Payments for Other	(90,469)
Net Cash Used for Capital and Related Financing Activities	(289,048)
Net Increase in Cash and Cash Equivalents	75,773
Cash and Cash Equivalents at Beginning of Year	274,573
Cash and Cash Equivalents at End of Year	$ 350,346

See accompanying notes to the basic financial statements.

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Income	$ 191,774
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	225,837
Changes in Assets and Liabilities:	
Prepaid Items	(6,690)
Intergovernmental Receivable	(4,027)
Accounts Payable	19,654
Accrued Wages and Benefits Payable	4,261
Intergovernmental Payable	(4,752)
Net Pension Liability and Related Deferrals	(825,490)
Net OPEB Liability and Related Deferrals	(87,376)
Net Cash Used for Operating Activities	$ (486,809)

Schedule of noncash transactions:
Capital acquisitions totaling $9,353 are included in accounts payable at fiscal year-end.
During the fiscal year, the School entered into a capital lease transaction totaling $13,439.

See accompanying notes to the basic financial statements.

Note 1 – Description of the School and Reporting Entity

L. Hollingworth School for the Talented and Gifted (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 and aspires to create an educational environment that provides academic acceleration, personalized support, authentic assessment, and school-wide differentiated learning activities. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The Buckeye Community Hope Foundation is the School's sponsor. 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 Trustees (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 population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 11 non-certified and 34 certificated full time teaching personnel who provided services to 334 students during the 2017-2018 school year.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the Statement of Net Position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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 expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

C. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in 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 of Ohio Revised Code 5705; therefore no budgetary information is presented in the financial statements.

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $1,500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated, except land and construction in progress. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Land Improvements	10-25 years
Buildings and Building Improvements	25 years
Computers and Equipment	5 years

F. Estimates

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

G. Intergovernmental Revenue

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. The State distributes, among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. The proceeds received from the State's tax on casino revenue are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants comprise the non-operating revenues of the School. Interest and fiscal charges and loss on disposal of assets, if any, comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Position relating to expenses, which are due but unpaid as of June 30, 2018, including:

Wages and benefits payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2018 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2018.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2018 that were paid in the subsequent fiscal year.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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(s) 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 pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions are explained in Note 9 and Note 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension and OPEB is explained in Note 9 and Note 10.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Pensions and Other Postemployment Benefits (OPEB)

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

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the School at year-end represents resources held for food service programs and unspent state and federal grant proceeds. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3 – Deposits

At June 30, 2018, the carrying amount of the School's deposits was $350,346 and bank balance was $408,227. Of the School's bank balance, $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was uninsured.

Note 4 – Intergovernmental Receivables

All intergovernmental receivables are considered collectable in full due to the stable condition of State programs. The principal items of receivables at June 30, 2018 is as follows:

Source	Amount
IDEA B	$ 10,180
Title III	5,255
Title I	13,070
SERS Overpayment	4,936
BWC Overpayment	10,147
	$ 43,588

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 48,200	$ -	$ -	$ 48,200
Total Nondepreciable Capital Assets	48,200	-	-	48,200
Depreciable Capital Assets:				
Land Improvements	34,174	135,000	-	169,174
Buildings and Building Improvements	4,916,329	52,112	-	4,968,441
Computers and Equipment	209,553	35,676	(103,740)	141,489
Total Depreciable Capital Assets	5,160,056	222,788	(103,740)	5,279,104
Less Accumulated Depreciation:				
Land Improvements	(927)	(4,553)	-	(5,480)
Buildings and Building Improvements	(466,106)	(197,697)	-	(663,803)
Computers and Equipment	(150,924)	(23,587)	103,740	(70,771)
Total Accumulated Depreciation	(617,957)	(225,837)	103,740	(740,054)
Total Depreciable Capital Assets, Net	4,542,099	(3,049)	-	4,539,050
Total Capital Assets	$ 4,590,299	$ (3,049)	$ -	$ 4,587,250

Note 6 – Loan Payable

Changes in the School's loan obligations during the fiscal year were as follows:

	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**	**Due Within One Year**
Loan Payable-2014	$4,170,639	$ -	$ (4,170,639)	$ -	$ -
Loan Payable-2017	-	4,560,000	(123,351)	4,436,649	131,249
Total	$4,170,639	$ 4,560,000	$ (4,293,990)	$ 4,436,649	$ 131,249

Note 6 – Loan Payable (Continued)

On June 4, 2014, the School entered into a Master Construction to Term Loan and Security Agreement with Raza Development Fund, Inc. The School acquired a two-story approximately 60,000 square foot facility on an approximately 1.72 acre site at 653 Miami Street in Toledo, Ohio. The Master Construction to Term Loan and Security Agreement allows the School to borrow $4,425,000 to renovate the new facility.

The Construction Loan and Term Loan are evidenced by a promissory note and is secured by a mortgage on the property. Upon issuance, the School was charged a 2% origination fee totaling $88,500. The Construction Loan carries an interest rate of 6% and matures on June 3, 2015 (12 months after the Closing Date).

During fiscal year 2014, the School borrowed $2,897,901 of the approved borrowing amount. The remaining $1,527,099 was borrowed early in fiscal year 2015.

Subject to terms and conditions outlined in the Master Construction to Term Loan and Security Agreement, on June 3, 2015, the Construction Loan was converted to a Term Loan for $4,425,000. The interest rate on the Term Loan is 6%. The maturity date of the Term Loan will be seven years after the conversion date. The Term Loan will be repaid with monthly principal and interest payments of $31,702, beginning on July 1, 2015 through maturity. The amount will be fully amortized over 20 years, with a balloon payment of approximately $3,599,255 due at the end of the seven-year term.

On July 25, 2017, the School refinanced their outstanding debt with Raza Development Fund, Inc. The new loan assisted the School in re-purposing a .02 acre parcel into 10 parking spaces. The Construction Loan and Term Loan are evidenced by a promissory note and is secured by a mortgage on the property. Upon issuance, the School was charged a 1% origination fee totaling $45,600. The Construction Loan carries an interest rate of 5.85% and matures on August 15, 2032.

Subject to terms and conditions outlined in the Master Construction to Term Loan and Security Agreement, on July 25, 2017, the Construction Loan was converted to a Term Loan for $4,560,000. The interest rate on the Term Loan is 5.85%. The maturity date of the Term Loan will be fifteen years after the conversion date. The Term Loan will be repaid with monthly principal and interest payments of $32,276, beginning on September 1, 2017 through maturity. The amount will be fully amortized over 20 years, with a balloon payment of approximately $1,652,523 due at the end of the fifteen-year term.

Debt-service-to-maturity requirements to retire the loan are as follows:

Note 6 – Loan Payable (Continued)

Fiscal Year Ended June 30:	Principal	Interest	Total
2019	131,249	256,062	387,311
2020	139,136	248,175	387,311
2021	147,497	239,813	387,310
2022	156,361	230,950	387,311
2023	165,757	221,553	387,310
2024-2028	990,728	945,825	1,936,553
2029-2033	2,705,921	531,879	3,237,800
Total	$ 4,436,649	$ 2,674,257	$ 7,110,906

Note 7 – Capital Lease

The School has entered into a lease agreement with Wells Fargo for the lease of two copiers with accessories. The term of the lease was 63 months and commenced on July 2017, with required payments of $213 per month. Lease payments during the fiscal year totaled $2,347.

The following is a schedule of the future payments required under the capital lease as of June 30, 2018:

Year Ended	Copiers
June 30, 2019	$ 2,560
June 30, 2020	2,560
June 30, 2021	2,560
June 30, 2022	2,560
June 30, 2023	852
Total	$ 11,092

Note 8 – Risk Management

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2018, the School contracted with Hanover Insurance Group for its insurance coverage as follows:

Collective coverage amounts are as follows:

General Liability:		
Building and Contents	$	6,011,578
Per Occurrence	$	1,000,000
Damage to Rented Premises	$	100,000
Med Exp	$	15,000
Personal & Adv Injury	$	1,000,000
General Aggregate/Products	$	3,000,000
Umbrella Liability:		
Each Occurrence/Aggregate	$	2,000,000
Workers Compensation & Employers' Liability:		
Each Accident/Disease	$	1,000,000
Automobile Liability:		
Combined Single Limit	$	1,000,000

There was no significant reduction in coverage during the year. Settlement amounts have not exceeded coverage amounts during the prior three fiscal years.

B. 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 determined by the State.

C. Employee Medical and Dental Benefits

The School carries their life, vision and dental insurance through Lincoln Financial Group, and their medical insurance through Paramount Health Care. The School pays 70% of medical, dental and vision benefits for most employees. The School's pays 100% of medical, dental and vision benefits for eligible full-time administrative staff. The annual cost of medical insurance is based upon gender and age.

Note 9 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Note 9 – Defined Benefit Pension Plans (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service
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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.50 percent and .50 percent was allocated to the Health Care Fund.

Note 9 – Defined Benefit Pension Plans (Continued)

The School's contractually required pension contribution to SERS was $58,561 for fiscal year 2018 of which the entire amount has been paid.

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. 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

Note 9 – Defined Benefit Pension Plans (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $153,250 for fiscal year 2018. Of this amount, $29,005 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Note 9 – Defined Benefit Pension Plans (Continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - 2018	$750,032	$2,143,210	$2,893,242
Proportion of the Net Pension Liability - Current Measurement Period	0.01255330%	0.00902206%	
Proportion of the Net Pension Liability - Prior Measurement Period	0.01221060%	0.00822365%	
Total	0.00034270%	0.00079841%	
Pension Expense	($304)	($613,375)	($613,679)

At June 30, 2018, the School reported deferred outflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 32,279	$ 82,761	$ 115,040
Changes of assumptions	38,785	468,744	507,529
Changes in proportionate share	48,716	586,752	635,468
School contributions subsequent to the measurement date	58,561	153,250	211,811
Total Deferred Outflows of Resources	$ 178,341	$ 1,291,507	$ 1,469,848
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 17,274	$ 17,274
Net difference between projected and actual earnings on pension plan investments	3,560	70,727	74,287
Total Deferred Inflows of Resources	$ 3,560	$ 88,001	$ 91,561

$211,811 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Note 9 – Defined Benefit Pension Plans (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$58,482	$309,797	$368,279
2020	59,695	481,909	541,604
2021	15,527	174,259	189,786
2022	(17,484)	84,291	66,807
Total	$116,220	$1,050,256	$1,166,476

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 termination). 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 pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Note 9 – Defined Benefit Pension Plans (Continued)

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the 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 were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Note 9 – Defined Benefit Pension Plans (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$1,040,849	$750,032	$506,413

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0 percent effective July 1, 2017

Mortality rates were 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. Post-retirement disabled 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Note 9 – Defined Benefit Pension Plans (Continued)

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability 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 rate:

Note 9 – Defined Benefit Pension Plans (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	$3,072,218	$2,143,210	$1,360,659

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the Cost of Living Adjustment was reduced to zero.

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

Note 10 – Post-employment Benefits

Net OPEB Liability

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

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

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

Note 10 – Post-employment Benefits (Continued)

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

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

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.

Note 10 – Post-employment Benefits (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School's surcharge obligation was $7,072.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $9,241 for fiscal year 2018. Of this amount $7,114 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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, 2018, STRS did not allocate any employer contributions to post-employment health care.

Note 10 – Post-employment Benefits (Continued)

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School 's proportion of the net OPEB liability was based on the School 's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability- Current Measurement Date	0.0126929%	0.00902206%	
Proportion of the Net OPEB Liability- Prior Measurement Date	0.0124347%	0.00822365%	
Change in Proportionate Share	0.0002582%	0.00079841%	
Proportion Share of the Net OPEB Liability	$340,644	$352,008	$692,652
OPEB Expense	$20,738	($98,873)	($78,135)

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$20,320	$20,320
Difference between contributions and proportionate share of contributions	5,403	34,159	39,562
Contributions subsequent to the measurement date	9,241	-	9,241
Total Deferred Outflows of Resources	$14,644	$54,479	$69,123
Deferred Inflows of Resources			
Changes of assumptions	$32,325	$28,355	$60,680
Net difference between projected and actual earnings on OPEB plan investments	900	15,046	15,946
Total Deferred Inflows of Resources	$33,225	$43,401	$76,626

Note 10 – Post-employment Benefits (Continued)

$9,241 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($9,979)	$2,770	($7,209)
2020	(9,979)	2,770	(7,209)
2021	(7,639)	2,770	(4,869)
2022	(225)	2,768	2,543
Total	($27,822)	$11,078	($16,744)

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.

Note 10 – Post-employment Benefits (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 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.

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

Note 10 – Post-employment Benefits (Continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Note 10 – Post-employment Benefits (Continued)

Sensitivity of the School 's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School's proportionate share of the net OPEB liability	$411,371	$340,644	$284,610

	1% Decrease (6.5% decreasing to 4.0 percent)	Current Trend Rate (7.5% decreasing to 5.0 percent)	1% Increase (8.5% decreasing to 6.0 percent)
School's proportionate share of the net OPEB liability	$276,407	$340,644	$425,663

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, 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
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

Note 10 – Post-employment Benefits (Continued)

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, 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. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

Note 10 – Post-employment Benefits (Continued)

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Note 10 – Post-employment Benefits (Continued)

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School's proportionate share of the net pension liability	$472,564	$352,008	$256,728

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net pension liability	$244,560	$352,008	$493,421

Note 11 – Restricted Net Position

At June 30, 2018, the School reported restricted net position totaling $80,274. The nature of the net position restrictions are as follows:

Food Services	$80,251
Title III LEP Grant	23
Total	$80.274

Note 12 – Contingencies

A. Grants Review - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2018, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

Note 12 – Contingencies (Continued)

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

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

ODE adjustments for fiscal year 2018 are finalized. As a result, the FTE adjustments for the fiscal year 2018 financial statements resulted in a payable of $769 to ODE from the School. This amount is reported as an intergovernmental payable on the School's financial statements at fiscal year-end.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 have been finalized. The impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with this contract resulted in a decrease of fees of $23. This amount is not material to the School's financial statements at fiscal year-end and has not been recorded.

Note 13 – Contracted Fiscal Services

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve-month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.

2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.

Note 13 – Contracted Fiscal Services (Continued)

3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

In addition, M&A provides various business and operations support services to the School. Payments to M&A during the fiscal year totaled $160,618.

Note 14 – Purchased Services

During the fiscal year, purchased service expense consisted of the following:

Instruction Services	$	22,719
Legal Services		17,569
Other Professional and Technical Services		377,296
Garbage Removal and Cleaning		68,312
Repairs and Maintenance		6,040
Rentals		24,512
Other Property Services		19,002
Meeting and Travel Expenses		28,975
Postage		1,180
Advertising		14,955
Utilities		66,093
Transportation Services		5,080
Total	$	651,733

Note 15 – Change in Accounting Principles

For fiscal year 2018, the School has implemented the following:

Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This Statement established standards for measuring and recognizing other postemployment benefit liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	(1,828,507)
Adjustments:	
Net OPEB Liability	(794,237)
Deferred Inflows-Subsequent Contributions	6,706
Restated Net Position June 30, 2017	(2,616,038)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Other GASB Statements implemented in fiscal year 2018 are as follows:

GASB Statement No. 81 "Irrevocable Split-Interest Agreements" improves financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 85 "Omnibus 2017" addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 86 "Certain Debt Extinguishment Issues" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the School.

REQUIRED SUPPLEMENTARY INFORMATION

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0125533%	0.012211%	0.011627%	0.010561%	0.010561%
School's Proportionate Share of the Net Pension Liability	$ 750,032	$ 893,703	$ 663,436	$ 534,486	$ 628,029
School's Covered Payroll	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.17%	232.35%	192.90%	173.52%	214.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00902206%	0.00822365%	0.00728584%	0.00522783%	0.00522783%
School's Proportionate Share of the Net Pension Liability	$ 2,143,210	$ 2,752,704	$ 2,013,593	$ 1,271,589	$ 1,514,709
School's Covered Payroll	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213.14%	298.02%	248.19%	231.85%	293.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 58,561	$ 57,015	$ 53,848	$ 45,331	$ 42,692	$ 40,465	$ 37,784	$ 25,226	$ 8,520
Contributions in Relation to the Contractually Required Contribution	$ 58,561	$ 57,015	$ 53,848	$ 45,331	$ 42,692	$ 40,465	$ 37,784	$ 25,226	$ 8,520
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 433,789	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371	$ 280,918	$ 200,684	$ 62,925
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

(1) Fiscal year 2010 was the School's first year of operation

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 153,250	$ 140,777	$ 129,312	$ 113,583	$ 71,299	$ 67,004	$ 51,268	$ 49,182	$ 18,838
Contributions in Relation to the Contractually Required Contribution	$ 153,250	$ 140,777	$ 129,312	$ 113,583	$ 71,299	$ 67,004	$ 51,268	$ 49,182	$ 18,838
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 1,094,644	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412	$ 394,366	$ 378,323	$ 144,908
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Fiscal year 2010 was the School's first year of operation

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TWO FISCAL YEARS (1)

	2018	2017
School's Proportion of the Net OPEB Liability	0.0126929%	0.0124347%
School's Proportionate Share of the Net OPEB Liability	$ 340,644	$ 354,434
School's Covered Payroll	$ 407,250	$ 384,631
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.64%	92.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TWO FISCAL YEARS (1)

	2018	2017
School's Proportion of the Net OPEB Liability	0.00902206%	0.00822365%
School's Proportionate Share of the Net OPEB Liability	$ 352,008	$ 439,803
School's Covered Payroll	$ 1,005,549	$ 923,660
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.01%	47.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution (2)	$ 9,241	$ 6,706	$ 6,103	$ 9,076	$ 5,883	$ 5,648	$ 7,062	$ 2,870	$ 289
Contributions in Relation to the Contractually Required Contribution	$ 9,241	$ 6,706	$ 6,103	$ 9,076	$ 5,883	$ 5,648	$ 7,062	$ 2,870	$ 289
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 433,786	$ 407,250	$ 384,631	$ 343,935	$ 308,024	$ 292,371	$ 280,918	$ 200,684	$ 62,925
Pension Contributions as a Percentage of Covered Payroll (2)	2.13%	1.65%	1.59%	2.64%	1.91%	1.93%	2.51%	1.43%	0.46%

(1) Fiscal year 2010 was the School's first year of operation

(2) Amounts include surcharge except for fiscal years 2010 and 2011 which surcharge information was unavailable

See accompanying notes to the required supplementary information

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED
LUCAS COUNTY

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST NINE FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ 5,485	$ 5,154	$ 3,944	$ 3,783	$ 1,449
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -	$ 5,485	$ 5,154	$ 3,944	$ 3,783	$ 1,449
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 1,094,644	$ 1,005,549	$ 923,660	$ 811,306	$ 548,457	$ 515,412	$ 394,366	$ 378,323	$ 144,908
Pension Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) Fiscal year 2010 was the School's first year of operation

See accompanying notes to the required supplementary information

Net Pension Liability

School Employees Retirement System

Changes in benefit terms:

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2018.

State Teachers Retirement System

Changes in benefit terms:

For fiscal year 2018, the COLA was reduced to zero.

Changes in assumptions:

For fiscal year 2018, the STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Net OPEB Liability

School Employees Retirement System

Changes in benefit terms:

There were no changes in benefit terms from the amounts reported for fiscal years 2018.

Changes in Assumptions:

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan invesment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

State Teachers Retirement System

Changes in benefit terms:

There were no changes in benefit terms from the amounts reported for fiscal years 2018.

Changes in Assumptions:

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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

L. Hollingworth School for the Talented and Gifted
Lucas County
653 Miami Street
Toledo, Ohio 43605

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of L. Hollingworth School for the Talented and Gifted, Lucas County, Ohio (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 1, 2019, wherein we noted the School adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276
www.ohioauditor.gov

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

February 1, 2019

OHIO AUDITOR OF STATE
KEITH FABER

L. HOLLINGWORTH SCHOOL FOR THE TALENTED AND GIFTED

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 19, 2019