



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Greater Summit County Early Learning Center  
Summit County  
1651 Massillon Road  
Akron, Ohio 44312

To the Board of Directors:

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

We have audited the accompanying financial statements of the Greater Summit County Early Learning Center, Summit County, Ohio (the School), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in 2020-Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 10, 2020

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position was \$1,095,951 at June 30, 2020.
- The School had operating revenues of \$1,080,305, operating expenses of \$1,112,826, and nonoperating revenues of \$138,443, for fiscal year 2020. The total change in net position for the fiscal year was an increase of \$105,922.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and 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 the School do financially during fiscal year 2020?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change 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. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 13 – 30 of this report.

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 and net other postemployment benefits (OPEB) asset. The required supplementary information can be found on pages 31 – 35 of this report.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

The table below provides a summary of the School's net position at June 30, 2020 and June 30, 2019.

|  | 2020         | 2019       |
|--|--------------|------------|
| <b>Net Position</b>                          |              |            |
| <b><u>Assets</u></b>                         |              |            |
| Current assets                               | \$ 1,092,383 | \$ 985,069 |
| Non-current assets:                          |              |            |
| Net OPEB asset                               | 339          | 276        |
| Other non-current assets                     | 5,000        | 5,000      |
| Total assets                                 | 1,097,722    | 990,345    |
| <b><u>Deferred outflows of resources</u></b> | 3,495        | 4,217      |
| <b><u>Liabilities</u></b>                    |              |            |
| Current liabilities                          | 100          | 85         |
| Long-term liabilities                        | 4,520        | 3,771      |
| Total liabilities                            | 4,620        | 3,856      |
| <b><u>Deferred inflows of resources</u></b>  | 646          | 677        |
| <b><u>Net Position</u></b>                   |              |            |
| Restricted                                   | 2,952        | -          |
| Unrestricted                                 | 1,092,999    | 990,029    |
| Total net position                           | \$ 1,095,951 | \$ 990,029 |

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net OPEB asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, and the net pension liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset 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 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. 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the School's net position totaled \$1,095,951.

Current assets at June 30, 2020, represent federal grants receivable for the Title I program.

Non-current assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 12 for more detail. The other non-current assets at June 30, 2020 and June 30, 2019, represent the security deposit the School made for the operating lease for classroom space that was effective August 1, 2017 (see Note 10 of the notes to the basic financial statements for detail).

Deferred inflows of resources and deferred outflows of resources have been reported in relation to the STRS net pension liability and net OPEB asset (see Notes 11 and 12 for detail).

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

Current liabilities represent accounts payable due to vendors for services and the Ohio Department of Education.

Long-term liabilities include the STRS net pension liability (see Note 11 for detail)

The table below shows the changes in net position for fiscal year 2020 and fiscal year 2019.

**Change in Net Position**

|                                      | 2020         | 2019         |
|--------------------------------------|--------------|--------------|
| <b><u>Operating Revenues:</u></b>    |              |              |
| State foundation                     | \$ 1,073,360 | \$ 1,045,414 |
| Classroom fees                       | 6,945        | 6,750        |
| Total operating revenues             | 1,080,305    | 1,052,164    |
| <b><u>Operating Expenses:</u></b>    |              |              |
| Purchased services                   | 1,069,410    | 1,094,962    |
| Materials and supplies               | 43,416       | 48,305       |
| Other                                | -            | 489          |
| Total operating expenses             | 1,112,826    | 1,143,756    |
| <b><u>Nonoperating Revenues:</u></b> |              |              |
| State, Federal and other grants      | 118,407      | 98,875       |
| Interest revenue                     | 13,540       | 14,266       |
| Contributions and donations          | 6,496        | 6,622        |
| Total nonoperating revenues          | 138,443      | 119,763      |
| Change in net position               | 105,922      | 28,171       |
| Net position at beginning of year    | 990,029      | 961,858      |
| Net position at end of year          | \$ 1,095,951 | \$ 990,029   |

The School relies on State foundation revenues for operations, with 88.07 and 89.20 percent of total revenues coming from State foundation for fiscal year 2020 and 2019, respectively. State, Federal and other grants for fiscal year 2020 include monies received during fiscal year 2020 from the Network Connectivity, Student Wellness and Success, Safety and Security, Title I, Title II-A, IDEA Part B, Title IV-A and IDEA Preschool-Handicapped programs. The School contracts with the North Central Ohio Educational Service Center and other contractors for instructional, administrative and technical services.

**Current Financial Related Activities**

The School is sponsored by the ODE Office of School Sponsorship. The School is reliant upon State foundation monies, private grants, and State and Federal grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State, Federal and private grant funds that are made available to finance its operations.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rick Berdine, Fiscal Officer, Greater Summit County Early Learning Center, 1651 Massillon Road, Akron, Ohio 44312.

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

|  |              |
|--|--------------|
| <b>Assets:</b>                                   |              |
| Current assets:                                  |              |
| Cash . . . . .                                   | \$ 1,082,333 |
| Receivables:                                     |              |
| Intergovernmental. . . . .                       | 783          |
| Prepayments . . . . .                            | 9,267        |
| Total current assets . . . . .                   | 1,092,383    |
| Non-current assets:                              |              |
| Security deposit . . . . .                       | 5,000        |
| Net OPEB asset. . . . .                          | 339          |
| Total non-current assets. . . . .                | 5,339        |
| Total assets . . . . .                           | 1,097,722    |
| <br><b>Deferred outflows of resources:</b>       |              |
| Pension . . . . .                                | 2,929        |
| OPEB . . . . .                                   | 566          |
| Total deferred outflows of resources . . . . .   | 3,495        |
| <br><b>Liabilities:</b>                          |              |
| Current liabilities:                             |              |
| Accounts payable. . . . .                        | 100          |
| Long-term liabilities:                           |              |
| Net pension liability . . . . .                  | 4,520        |
| Total liabilities . . . . .                      | 4,620        |
| <br><b>Deferred inflows of resources:</b>        |              |
| Pension . . . . .                                | 239          |
| OPEB . . . . .                                   | 407          |
| Total deferred inflows of resources . . . . .    | 646          |
| <br><b>Net position:</b>                         |              |
| Restricted for:                                  |              |
| Restricted for locally funded programs . . . . . | 2,500        |
| State funded programs. . . . .                   | 15           |
| Federally funded programs . . . . .              | 437          |
| Unrestricted . . . . .                           | 1,092,999    |
| Total net position . . . . .                     | \$ 1,095,951 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

|  |                     |
|--|---------------------|
| <b>Operating revenues:</b>                             |                     |
| State foundation. . . . .                              | \$ 1,073,360        |
| Classroom fees . . . . .                               | 6,945               |
| Total operating revenues. . . . .                      | 1,080,305           |
| <br><b>Operating expenses:</b>                         |                     |
| Purchased services. . . . .                            | 1,069,410           |
| Materials and supplies . . . . .                       | 43,416              |
| Total operating expenses . . . . .                     | 1,112,826           |
| <br>Operating loss . . . . .                           | <br>(32,521)        |
| <br><b>Non-operating revenues:</b>                     |                     |
| State, Federal and other grants. . . . .               | 118,407             |
| Interest revenue . . . . .                             | 13,540              |
| Contributions and donations . . . . .                  | 6,496               |
| Total non-operating revenues. . . . .                  | 138,443             |
| <br>Change in net position . . . . .                   | <br>105,922         |
| <br><b>Net position at beginning of year . . . . .</b> | <br>990,029         |
| <b>Net position at end of year . . . . .</b>           | <b>\$ 1,095,951</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

|   |                     |
|---|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |
| Cash received from state foundation . . . . .   | \$ 1,073,704        |
| Cash received from classroom fees . . . . .   | 6,945               |
| Cash payments for purchased services . . . . .  | (1,066,655)         |
| Cash payments for materials and supplies . . . . .                                    | (43,318)            |
| Cash payments for other expenses . . . . .  | (138)               |
|   | <hr/>               |
| Net cash used in operating activities . . . . .                                       | (29,462)            |
|   | <hr/>               |
| <b>Cash flows from noncapital financing activities:</b>                               |                     |
| Cash received from grants and subsidies . . . . .                                     | 119,841             |
| Cash received from contributions and donations . . . . .                              | 6,496               |
|   | <hr/>               |
| Net cash provided by noncapital<br>financing activities . . . . .                     | 126,337             |
|   | <hr/>               |
| <b>Cash flows from investing activities:</b>  |                     |
| Interest received . . . . .   | 13,540              |
|   | <hr/>               |
| Net cash provided by investing activities . . . . .                                   | 13,540              |
|   | <hr/>               |
| Net increase in cash . . . . .  | 110,415             |
|   | <hr/>               |
| <b>Cash at beginning of year . . . . .</b>  | <b>971,918</b>      |
| <b>Cash at end of year . . . . .</b>  | <b>\$ 1,082,333</b> |
|   | <hr/> <hr/>         |
| <b>Reconciliation of operating loss to net<br/>cash used in operating activities:</b> |                     |
| Operating loss . . . . .  | \$ (32,521)         |
| Changes in assets and liabilities:  |                     |
| Decrease in intergovernmental receivable . . . . .                                    | 342                 |
| Decrease in prepayments . . . . .   | 1,325               |
| (Increase) in net OPEB asset . . . . .  | (63)                |
| Decrease in deferred outflows - pension . . . . .                                     | 644                 |
| Decrease in deferred outflows - OPEB . . . . .  | 78                  |
| Increase in accounts payable . . . . .  | 15                  |
| Increase in net pension liability . . . . .   | 749                 |
| (Decrease) in deferred inflows - pensions . . . . .                                   | (14)                |
| (Decrease) in deferred inflows - OPEB . . . . .                                       | (17)                |
|   | <hr/>               |
| Net cash used in operating activities . . . . .                                       | \$ (29,462)         |
|   | <hr/> <hr/>         |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Greater Summit County Early Learning Center (the “School”; doing business as Scope Academy) is a tax exempt, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 as a community school. The School was created as a conversion type community school, to provide children with a quality learning environment that is responsive to their individual growth and development. The School, which is part of the State’s education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School signed a contract with the Summit County ESC, to operate for a period from July 1, 2011 through June 30, 2013 as well as July 1, 2013 through June 30, 2015. The sponsorship contract was also renewed for a one-year period from July 1, 2015 through June 30, 2016 and for July 1, 2016 through June 30, 2017. On December 1, 2016, the Ohio Department of Education (ODE) Office of School Sponsorship assumed sponsorship of the School and on December 14, 2016, the Office of School Sponsorship Oversight Committee voted to approve the renewal of the School’s agreement for a term of two years. The School entered into a sponsorship agreement with the ODE Office of School Sponsorship for a five-year period effective July 1, 2019 through June 30, 2024.

The School operates under a self-appointing, six-member Board of Directors (the “Board”). The School’s Bylaws & Policies specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by the School’s fiscal agent, the North Central Ohio Educational Service Center (ESC), and other contract employees (see Note 9 for detail), who provide services to 146 students.

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

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 significant accounting policies are described below.

**A. Basis of Presentation**

The School’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund 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) 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.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

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

**B. Measurement Focus**

Enterprise fund 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 less liabilities and deferred inflows of resources is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

Nonexchange 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 fiscal 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 that they are incurred.

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, see Notes 11 and 12 for deferred outflows of resources related to the School's net pension liability and net OPEB asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, see Notes 11 and 12 for deferred inflows of resources relating to the School's net pension liability and net OPEB asset, respectively.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**E. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract.

**F. Deposits and Investments**

Cash received by the School is reflected as “cash” on the statement of net position. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during fiscal year 2020.

**G. Capital Assets and Depreciation**

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$5,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

**H. Net Position**

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

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

**I. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**J. Intergovernmental Revenues**

The School currently participates in the State Foundation, Opportunity Grant, Special Education, Targeted Assistance, Limited English Proficiency, K-3 Literacy, Third Grade Reading Bonus, Facilities, and Economic Disadvantaged Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the fiscal 2020 school year totaled \$1,073,360.

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. The School currently participates in the Network Connectivity, Student Wellness and Success, Safety and Security, Title I, Title II-A, IDEA Part B, Title IV-A and IDEA Preschool-Handicapped programs. Federal, State, and private grant revenue received during fiscal year 2020 was \$118,407.

**K. Accrued Liabilities and Long-Term Obligations**

The School has recognized certain expenses due, but unpaid as of June 30, 2020. Accrued liabilities include accounts payable (e.g. amounts due the Sponsor as further described in Note 13.B and for professional fees). The net pension liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (see Note 11 for detail).

**L. Operating Revenues and Expenses**

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

**M. Pensions/Other Postemployment Benefits (OPEB)**

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

**N. Estimates**

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2020, the School has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School will no longer be reporting agency funds. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the School.

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

At June 30, 2020, the carrying amount of all School deposits was \$1,082,333. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, \$832,909 of the School's bank balance of \$1,082,909 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

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

The School had no investments outstanding at June 30, 2020.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2020, consisted of intergovernmental receivables (e.g. federal grants and entitlements). All receivables are considered collectible in full.

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**NOTE 6 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; and natural disasters. The School has obtained commercial insurance from Liberty Mutual Insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and,
- Errors and Omissions.

During the past three fiscal years, the School made no payments for losses that exceeded insurance coverage.

**NOTE 7 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2020, purchased services expenses were as follows:

|                                     | <u>Amount</u>       |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 926,277          |
| Property services and rent          | 82,074              |
| Training                            | 8,208               |
| Utilities                           | 21,318              |
| Contracted trade services           | 628                 |
| Sponser fees                        | <u>30,905</u>       |
| Total                               | <u>\$ 1,069,410</u> |

**NOTE 8 - SPONSOR FEES**

The Agreement between the School and the ODE Office of School Sponsorship allows for sponsor fee payments not to exceed 3% of the total amount of payments from the State for operating expenses in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract.

During fiscal year 2020, the School paid \$30,905 to the Sponsor for these fees.

**NOTE 9 - CONTRACTS**

**Personnel and Fiscal Officer**

The School entered into an agreement effective July 1, 2019 through June 30, 2020, with the North Central Ohio ESC to provide planning, instructional, administrative, and technical services. Personnel providing services to the School on the purchased services basis are employees of the North Central Ohio ESC and other contract employees.

The School has contracted with a fiscal officer for a one-year term effective July 1, 2019 through June 30, 2020.

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**NOTE 10 - OPERATING LEASE AGREEMENTS**

On April 11, 2017, the School entered into a five-year operating lease agreement effective August 1, 2017 through July 31, 2022, with the Summit County Developmental Disabilities Board for classroom space. The monthly rent of \$3,333 is due in advance on the first day of each calendar month. The School made a \$5,000 security deposit during fiscal year 2017 in accordance with the lease agreement. Either party may terminate the lease for any reason upon 180 days written notice to the other party.

The future minimum lease payments are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2021               | \$ 40,000     |
| 2022               | 40,000        |
| 2023               | 3,333         |

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The School contracted with the Renhill Group during fiscal year 2019 to provide substitute teachers and to pay those employees. However, these purchased services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

***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.

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

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

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

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

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

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

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



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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

The School's contractually required contribution to STRS was \$0 for fiscal year 2020.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

|  | <u>STRS</u>        |
|--|--------------------|
| Proportion of the net pension liability prior measurement date   | 0.00001715%        |
| Proportion of the net pension liability current measurement date | <u>0.00002044%</u> |
| Change in proportionate share                                    | <u>0.00000329%</u> |
| Proportionate share of the net pension liability                 | \$ 4,520           |
| Pension expense  | \$ 1,379           |

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

|  | <u>STRS</u>     |
|--|-----------------|
| <b>Deferred outflows of resources</b>  |                 |
| Differences between expected and actual experience   | \$ 38           |
| Changes of assumptions   | 532             |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | <u>2,359</u>    |
| Total deferred outflows of resources   | <u>\$ 2,929</u> |

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | STRS   |
|--|--------|
| <b>Deferred inflows of resources</b>   |        |
| Differences between expected and actual experience                               | \$ 19  |
| Net difference between projected and actual earnings on pension plan investments | 220    |
| Total deferred inflows of resources  | \$ 239 |

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

|                             | STRS     |
|-----------------------------|----------|
| Fiscal Year Ending June 30: |          |
| 2021                        | \$ 1,013 |
| 2022                        | 790      |
| 2023                        | 707      |
| 2024                        | 180      |
| Total                       | \$ 2,690 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

|                                   | July 1, 2019  |
|-----------------------------------|---|
| Inflation                         | 2.50%   |
| Projected salary increases        | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return         | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                 | 3.00%   |
| Cost-of-living adjustments (COLA) | 0.00%   |

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

\*\*10-Year 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' 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% as of June 30, 2019. 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| Schools's proportionate share<br>of the net pension liability | \$ 6,606    | \$ 4,520                 | \$ 2,755    |

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

The School contracted with the Renhill Group during fiscal year 2019 to provide substitute teachers and to pay those employees. However, these purchased services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

*Net OPEB Asset*

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset. Resulting adjustments to the net OPEB asset 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 the plan's funded benefits is presented as a *net OPEB asset* on the accrual basis of accounting.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

***OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The School 's proportion of the net OPEB asset was based on the School 's share of contributions to the respective retirement system relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

|   | STRS        |
|---|-------------|
| Proportion of the net OPEB asset prior measurement date   | 0.00001715% |
| Proportion of the net OPEB asset current measurement date | 0.00002044% |
| Change in proportionate share                             | 0.00000329% |
| Proportionate share of the net OPEB asset                 | \$ (339)    |
| OPEB expense  | \$ (2)      |

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

|  | STRS   |
|--|--------|
| <b>Deferred outflows of resources</b>  |        |
| Differences between expected and actual experience   | \$ 30  |
| Net difference between projected and actual earnings on OPEB plan investments  |        |
| Changes of assumptions   | 7      |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | 529    |
| Total deferred outflows of resources   | \$ 566 |
| <br>   |        |
|  | STRS   |
| <b>Deferred inflows of resources</b>   |        |
| Differences between expected and actual experience   | \$ 17  |
| Net difference between projected and actual earnings on OPEB plan investments  | 20     |
| Changes of assumptions   | 370    |
| Total deferred inflows of resources  | \$ 407 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                             | STRS   |
|-----------------------------|--------|
| Fiscal Year Ending June 30: |        |
| 2021                        | \$ 23  |
| 2022                        | 25     |
| 2023                        | 32     |
| 2024                        | 35     |
| 2025                        | 39     |
| Thereafter                  | 5      |
| Total                       | \$ 159 |

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

|                                      | July 1, 2019  |          | July 1, 2018  |          |
|--------------------------------------|---|----------|---|----------|
|                                      | Initial   | Ultimate | Initial   | Ultimate |
| Inflation                            | 2.50%   |          | 2.50%   |          |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |          | 0.00%   |          |
| Discounted rate of return            | 7.45%   |          | 7.45%   |          |
| Blended discount rate of return      | N/A   |          | N/A   |          |
| Health care cost trends              |   |          |   |          |
| Medical                              |   |          |   |          |
| Pre-Medicare                         | 5.87%   | 4.00%    | 6.00%   | 4.00%    |
| Medicare                             | 4.93%   | 4.00%    | 5.00%   | 4.00%    |
| Prescription Drug                    |   |          |   |          |
| Pre-Medicare                         | 7.73%   | 4.00%    | 8.00%   | 4.00%    |
| Medicare                             | 9.62%   | 4.00%    | -5.23%  | 4.00%    |

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

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

\*\*10-Year 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' 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 asset was 7.45% as of June 30, 2019. 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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 | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| School's proportionate share<br>of the net OPEB asset | \$ 289      | \$ 339                   | \$ 380      |

  

|   | 1% Decrease | Current<br>Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| School's proportionate share<br>of the net OPEB asset | \$ 384      | \$ 339                | \$ 283      |

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2020.

**B. State Foundation Funding**

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

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

As a result of the fiscal year 2020 reviews to-date, the School currently owes ODE \$2, which is reported in accounts payable.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

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

**NOTE 13 - CONTINGENCIES - (Continued)**

**C. Litigation**

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

**D. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. The impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| School's proportion of the net pension liability   | 0.00002044% | 0.00001715% |
| School's proportionate share of the net pension liability  | \$ 4,520    | \$ 3,771    |
| School's covered payroll   | \$ 3,464    | \$ 1,950    |
| School's proportionate share of the net pension liability as a percentage of its covered payroll | 130.48%     | 193.38%     |
| Plan fiduciary net position as a percentage of the total pension liability                       | 77.40%      | 77.31%      |

Note: Prior to fiscal year 2019 the net pension liability was not reported by the School, as the liability was considered by management to not have a material impact on the School's financial statements. Beginning in fiscal year 2019, the net pension liability has been reported.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

|  | <u>2020</u> | <u>2019</u>  | <u>2018</u>  |
|--|-------------|--------------|--------------|
| Contractually required contribution                                  | \$ -        | \$ 485       | \$ 273       |
| Contributions in relation to the contractually required contribution | <u>-</u>    | <u>(485)</u> | <u>(273)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u> | <u>\$ -</u>  | <u>\$ -</u>  |
| School's covered payroll   | \$ -        | \$ 3,464     | \$ 1,950     |
| Contributions as a percentage of covered payroll                     | 14.00%      | 14.00%       | 14.00%       |

Note: Information prior to fiscal year 2018 is not available.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF  
THE NET OPEB ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| School's proportion of the net OPEB asset   | 0.00002044% | 0.00001715% |
| School's proportionate share of the net OPEB (asset)                                      | \$ (339)    | \$ (276)    |
| School's covered payroll  | \$ 3,464    | \$ 1,950    |
| School's proportionate share of the net OPEB asset as a percentage of its covered payroll | 9.79%       | 14.15%      |
| Plan fiduciary net position as a percentage of the total OPEB asset                       | 174.70%     | 176.00%     |

Note: Prior to fiscal year 2019 the net OPEB liability/asset was not reported by the School, as the liability/asset was considered by management to not have a material impact on the School's financial statements. Beginning in fiscal year 2019, the net OPEB asset has been reported.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

|   | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|
| Contractually required contribution                                     | \$ -        | \$ -        | \$ -        |
| Contributions in relation to the<br>contractually required contribution | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Contribution deficiency (excess)  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered payroll  | \$ -        | \$ 3,464    | \$ 1,950    |
| Contributions as a percentage of<br>covered payroll                     | 0.00%       | 0.00%       | 0.00%       |

Note: Information prior to fiscal year 2018 is not available.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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PENSION

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019 or 2020.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The management's discussion and analysis of the Greater Summit County Early Learning Center's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position was \$990,029 at June 30, 2019.
- The School had operating revenues of \$1,052,164, operating expenses of \$1,143,756, and nonoperating revenues of \$119,763, for fiscal year 2019. The total change in net position for the fiscal year was an increase of \$28,171.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and 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 the School do financially during fiscal year 2019?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change 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. These statements can be found on pages 43 and 44 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 45 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 47 – 63 of this report.

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 and net other postemployment benefits (OPEB) asset. The required supplementary information can be found on pages 65 – 69 of this report.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below provides a summary of the School's net position at June 30, 2019 and June 30, 2018.

| <b>Net Position</b>                          |            |            |
|--|------------|------------|
|  | 2019       | 2018       |
| <b><u>Assets</u></b>                         |            |            |
| Current assets                               | \$ 985,069 | \$ 956,984 |
| Non-current assets:                          |            |            |
| Net OPEB asset                               | 276        | -          |
| Other non-current assets                     | 5,000      | 5,000      |
| Total assets                                 | 990,345    | 961,984    |
| <b><u>Deferred outflows of resources</u></b> | 4,217      | -          |
| <b><u>Liabilities</u></b>                    |            |            |
| Current liabilities                          | 85         | 126        |
| Long-term liabilities                        | 3,771      | -          |
| Total liabilities                            | 3,856      | 126        |
| <b><u>Deferred inflows of resources</u></b>  | 677        | -          |
| <b><u>Net Position</u></b>                   |            |            |
| Restricted                                   | -          | 926        |
| Unrestricted                                 | 990,029    | 960,932    |
| Total net position                           | \$ 990,029 | \$ 961,858 |

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net OPEB asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB and the net pension liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School's net position totaled \$990,029.

Current assets at June 30, 2019, represent federal grants receivable and amounts due from the Ohio Department of Education (ODE) for the full-time equivalent enrollment reviews (see Note 13.B of the notes to the basic financial statements for detail).

Non-current assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 12 for more detail. The other non-current assets at June 30, 2019 and June 30, 2018, represent the security deposit the School made for the operating lease for classroom space that was effective August 1, 2017 (see Note 10 of the notes to the basic financial statements for detail).

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

Deferred inflows of resources and deferred outflows of resources have been reported in relation to the STRS net pension liability and net OPEB asset (see Notes 11 and 12 for detail).

Current liabilities represent accounts payable due to the School's Sponsor and due to Akron Children's Hospital for nursing services (see Notes 8 and 13.B of the notes to the basic financial statements for detail).

Long-term liabilities include the STRS net pension liability (see Note 11 for detail)

The table below shows the changes in net position for fiscal year 2019 and fiscal year 2018.

**Change in Net Position**

|                                      | <u>2019</u>       | <u>2018</u>       |
|--------------------------------------|-------------------|-------------------|
| <b><u>Operating Revenues:</u></b>    |                   |                   |
| State foundation                     | \$ 1,045,414      | \$ 1,057,357      |
| Classroom fees                       | <u>6,750</u>      | <u>7,300</u>      |
| Total operating revenues             | <u>1,052,164</u>  | <u>1,064,657</u>  |
| <b><u>Operating Expenses:</u></b>    |                   |                   |
| Purchased services                   | 1,094,962         | 1,250,928         |
| Materials and supplies               | 48,305            | 46,702            |
| Other                                | <u>489</u>        | <u>4,393</u>      |
| Total operating expenses             | <u>1,143,756</u>  | <u>1,302,023</u>  |
| <b><u>Nonoperating Revenues:</u></b> |                   |                   |
| State, Federal and other grants      | 98,875            | 157,310           |
| Interest revenue                     | 14,266            | 2,733             |
| Contributions and donations          | <u>6,622</u>      | <u>4,210</u>      |
| Total nonoperating revenues          | <u>119,763</u>    | <u>164,253</u>    |
| Change in net position               | 28,171            | (73,113)          |
| Net position at beginning of year    | <u>961,858</u>    | <u>1,034,971</u>  |
| Net position at end of year          | <u>\$ 990,029</u> | <u>\$ 961,858</u> |

The School relies on State foundation revenues for operations, with 89.20 and 86.04 percent of total revenues coming from State foundation for fiscal year 2019 and 2018, respectively. State, Federal and other grants for fiscal year 2019 include monies received during fiscal year 2019 from the Title II-A, IDEA Part B, Title IV-A and Title I-A programs. During fiscal year 2018, the School also received private grant funding through the GAR Foundation. The School contracts with the North Central Ohio Educational Service Center and other contractors for instructional, administrative and technical services.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Current Financial Related Activities**

The School is sponsored by the ODE Office of School Sponsorship. The School is reliant upon State foundation monies, private grants, and State and Federal grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State, Federal and private grant funds that are made available to finance its operations.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rick Berdine, Fiscal Officer, Greater Summit County Early Learning Center, 1651 Massillon Road, Akron, Ohio 44312.

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2019

|  |            |
|--|------------|
| <b>Assets:</b>                                 |            |
| Current assets:                                |            |
| Cash . . . . .                                 | \$ 971,918 |
| Receivables:                                   |            |
| Intergovernmental. . . . .                     | 2,559      |
| Prepayments . . . . .                          | 10,592     |
| Total current assets . . . . .                 | 985,069    |
| Non-current assets:                            |            |
| Security deposit . . . . .                     | 5,000      |
| Net OPEB asset. . . . .                        | 276        |
| Total non-current assets. . . . .              | 5,276      |
| Total assets . . . . .                         | 990,345    |
| <br><b>Deferred outflows of resources:</b>     |            |
| Pension . . . . .                              | 3,573      |
| OPEB . . . . .                                 | 644        |
| Total deferred outflows of resources . . . . . | 4,217      |
| <br><b>Liabilities:</b>                        |            |
| Current liabilities:                           |            |
| Accounts payable. . . . .                      | 85         |
| Long-term liabilities:                         |            |
| Net pension liability . . . . .                | 3,771      |
| Total liabilities . . . . .                    | 3,856      |
| <br><b>Deferred inflows of resources:</b>      |            |
| Pension . . . . .                              | 253        |
| OPEB . . . . .                                 | 424        |
| Total deferred inflows of resources . . . . .  | 677        |
| <br><b>Net position:</b>                       |            |
| Unrestricted . . . . .                         | 990,029    |
| Total net position . . . . .                   | \$ 990,029 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|  |                          |
|--|--------------------------|
| <b>Operating revenues:</b>                             |                          |
| State foundation. . . . .                              | \$ 1,045,414             |
| Classroom fees . . . . .                               | 6,750                    |
| Total operating revenues. . . . .                      | <u>1,052,164</u>         |
| <br><b>Operating expenses:</b>                         |                          |
| Purchased services. . . . .                            | 1,094,962                |
| Materials and supplies . . . . .                       | 48,305                   |
| Other. . . . .   | 489                      |
| Total operating expenses . . . . .                     | <u>1,143,756</u>         |
| <br>Operating loss . . . . .                           | <br><u>(91,592)</u>      |
| <br><b>Non-operating revenues:</b>                     |                          |
| State, Federal and other grants. . . . .               | 98,875                   |
| Interest revenue . . . . .                             | 14,266                   |
| Contributions and donations . . . . .                  | 6,622                    |
| Total non-operating revenues. . . . .                  | <u>119,763</u>           |
| <br>Change in net position . . . . .                   | <br>28,171               |
| <br><b>Net position at beginning of year . . . . .</b> | <br><u>961,858</u>       |
| <b>Net position at end of year . . . . .</b>           | <u><u>\$ 990,029</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|   |                   |
|---|-------------------|
| <b>Cash flows from operating activities:</b>  |                   |
| Cash received from state foundation. . . . .  | \$ 1,049,282      |
| Cash received from classroom fees. . . . .  | 6,750             |
| Cash payments for purchased services. . . . .   | (1,094,906)       |
| Cash payments for materials and supplies . . . . .                                    | (48,295)          |
| Cash payments for other expenses . . . . .  | (489)             |
|   | <hr/>             |
| Net cash used in operating activities . . . . .                                       | (87,658)          |
|   | <hr/>             |
| <b>Cash flows from noncapital financing activities:</b>                               |                   |
| Cash received from grants and subsidies. . . . .                                      | 97,326            |
| Cash received from contributions and donations. . . . .                               | 6,622             |
|   | <hr/>             |
| Net cash provided by noncapital<br>financing activities. . . . .                      | 103,948           |
|   | <hr/>             |
| <b>Cash flows from investing activities:</b>  |                   |
| Interest received . . . . .   | 14,266            |
|   | <hr/>             |
| Net cash provided by investing activities . . . . .                                   | 14,266            |
|   | <hr/>             |
| Net increase in cash . . . . .  | 30,556            |
|   | <hr/>             |
| <b>Cash at beginning of year . . . . .</b>  | <b>941,362</b>    |
| <b>Cash at end of year . . . . .</b>  | <b>\$ 971,918</b> |
|   | <hr/> <hr/>       |
| <b>Reconciliation of operating loss to net<br/>cash used in operating activities:</b> |                   |
| Operating loss . . . . .  | \$ (91,592)       |
| Changes in assets and liabilities:  |                   |
| Decrease in intergovernmental receivable . . . . .                                    | 3,868             |
| Decrease in prepayments. . . . .  | 152               |
| (Increase) in net OPEB asset. . . . .   | (276)             |
| (Increase) in deferred outflows - pension . . . . .                                   | (3,573)           |
| (Increase) in deferred outflows - OPEB . . . . .                                      | (644)             |
| (Decrease) in accounts payable. . . . .   | (41)              |
| Increase in net pension liability. . . . .  | 3,771             |
| Increase in deferred inflows - pensions. . . . .                                      | 253               |
| Increase in deferred inflows - OPEB . . . . .   | 424               |
|   | <hr/>             |
| Net cash used in operating activities. . . . .  | \$ (87,658)       |
|   | <hr/> <hr/>       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Greater Summit County Early Learning Center (the “School”; doing business as Scope Academy) is a tax exempt, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 as a community school. The School was created as a conversion type community school, to provide children with a quality learning environment that is responsive to their individual growth and development. The School, which is part of the State’s education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School signed a contract with the Summit County ESC, to operate for a period from July 1, 2011 through June 30, 2013 as well as July 1, 2013 through June 30, 2015. The sponsorship contract was also renewed for a one-year period from July 1, 2015 through June 30, 2016 and for July 1, 2016 through June 30, 2017. On December 1, 2016, the Ohio Department of Education (ODE) Office of School Sponsorship assumed sponsorship of the School and on December 14, 2016, the Office of School Sponsorship Oversight Committee voted to approve the renewal of the School’s agreement for a term of two years. The School entered into a sponsorship agreement with the ODE Office of School Sponsorship for a five-year period effective July 1, 2019 through June 30, 2024.

The School operates under a self-appointing, five-member Board of Directors (the “Board”). The School’s Bylaws & Policies specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by the School’s fiscal agent, the North Central Ohio Educational Service Center (ESC), and other contract employees (see Note 9 for detail), who provide services to 139 students.

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

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 significant accounting policies are described below.

**A. Basis of Presentation**

The School’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund 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) 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.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**B. Measurement Focus**

Enterprise fund 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 less liabilities and deferred inflows of resources is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

Nonexchange 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 fiscal 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 that they are incurred.

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, see Notes 11 and 12 for deferred outflows of resources related to the School's net pension liability and net OPEB asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, see Notes 11 and 12 for deferred inflows of resources relating to the School's net pension liability and net OPEB asset, respectively.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**E. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract.

**F. Deposits and Investments**

Cash received by the School is reflected as “cash” on the statement of net position. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during fiscal year 2019.

**G. Capital Assets and Depreciation**

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$5,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

The School had no capital assets over the threshold to report at June 30, 2019.

**H. Net Position**

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

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

**I. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**J. Intergovernmental Revenues**

The School currently participates in the State Foundation, Opportunity Grant, Special Education, Targeted Assistance, Limited English Proficiency, K-3 Literacy, Third Grade Reading Bonus, Facilities, and Economic Disadvantaged Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the fiscal 2019 school year totaled \$1,045,414.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. The School currently participates in the Title II-A, IDEA Part B, Title IV-A and Title I-A programs. Federal, State, and private grant revenue received during fiscal year 2019 was \$98,875.

**K. Accrued Liabilities and Long-Term Obligations**

The School has recognized certain expenses due, but unpaid as of June 30, 2019. Accrued liabilities include accounts payable (e.g. amounts due the Sponsor as further described in Note 13.B and for professional fees). Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits (see Notes 11 and 12 for detail).

**L. Operating Revenues and Expenses**

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

**M. Pensions/Other Postemployment Benefits (OPEB)**

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

**N. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2019, the School has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

At June 30, 2019, the carrying amount of all School deposits was \$971,918. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, \$729,935 of the School's bank balance of \$979,935 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

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

The School had no investments outstanding at June 30, 2019.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2019, consisted of intergovernmental receivables (e.g. federal grants and entitlements and amounts due from ODE). All receivables are considered collectible in full.

**NOTE 6 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; and natural disasters. The School has obtained commercial insurance from Liberty Mutual Insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and,
- Errors and Omissions.

During the past three fiscal years, the School made no payments for losses that exceeded insurance coverage.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2019, purchased services expenses were as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 951,895          |
| Property services and rent          | 73,800              |
| Training                            | 13,558              |
| Utilities                           | 23,295              |
| Contracted trade services           | 1,302               |
| Pupil transportation                | 690                 |
| Sponsor fees                        | <u>30,422</u>       |
| Total                               | <u>\$ 1,094,962</u> |

**NOTE 8 - SPONSOR FEES**

The Agreement between the School and the ODE Office of School Sponsorship allows for sponsor fee payments not to exceed 3% of the total amount of payments from the State for operating expenses in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract.

During fiscal year 2019, the School paid \$30,422 to the Sponsor for these fees, including \$10 in accounts payable at June 30, 2019 for a portion of an intergovernmental receivable (amount due from ODE) to be transferred to the Sponsor, in accordance with the sponsorship contract. See Note 13.B for detail.

**NOTE 9 - CONTRACTS**

**Personnel and Fiscal Officer**

The School entered into an agreement effective July 1, 2018 through June 30, 2019, with the North Central Ohio ESC to provide planning, instructional, administrative, and technical services. Personnel providing services to the School on the purchased services basis are employees of the North Central Ohio ESC, the Renhill Group (substitute teachers), and other contract employees.

The School has contracted with a fiscal officer for a one-year term effective July 1, 2018 through June 30, 2019.

**NOTE 10 - OPERATING LEASE AGREEMENTS**

On April 11, 2017, the School entered into a five-year operating lease agreement effective August 1, 2017 through July 31, 2022, with the Summit County Developmental Disabilities Board for classroom space. The monthly rent of \$3,333 is due in advance on the first day of each calendar month. The School made a \$5,000 security deposit during fiscal year 2017 in accordance with the lease agreement. Either party may terminate the lease for any reason upon 180 days written notice to the other party.



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - OPERATING LEASE AGREEMENTS - (Continued)**

The future minimum lease payments are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2020               | \$ 40,000     |
| 2021               | 40,000        |
| 2022               | 40,000        |
| 2023               | 3,333         |

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The School has contracted with the Renhill Group to provide substitute teachers (see Note 9) and to pay those employees. However, these purchased services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

***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.

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

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

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

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The School's contractually required contribution to STRS was \$485 for fiscal year 2019.

***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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

|  | <u>STRS</u> |
|--|-------------|
| Proportion of the net pension liability current measurement date | 0.00001715% |
| Proportionate share of the net pension liability                 | \$ 3,771    |
| Pension expense  | \$ 936      |

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>STRS</u>     |
|---|-----------------|
| <b>Deferred outflows of resources</b>   |                 |
| Differences between expected and actual experience  | \$ 90           |
| Net difference between projected and actual earnings on pension plan investments                                  |                 |
| Changes of assumptions  | 668             |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 2,330           |
| Contributions subsequent to the measurement date  | <u>485</u>      |
| Total deferred outflows of resources  | <u>\$ 3,573</u> |

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | STRS   |
|--|--------|
| <b>Deferred inflows of resources</b>   |        |
| Differences between expected and actual experience                               | \$ 25  |
| Net difference between projected and actual earnings on pension plan investments | 228    |
| Total deferred inflows of resources  | \$ 253 |

\$485 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, 2020.

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

|                             | STRS     |
|-----------------------------|----------|
| Fiscal Year Ending June 30: |          |
| 2020                        | \$ 900   |
| 2021                        | 799      |
| 2022                        | 605      |
| 2023                        | 531      |
| Total                       | \$ 2,835 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

|                                   | July 1, 2018  |
|-----------------------------------|---|
| Inflation                         | 2.50%   |
| Projected salary increases        | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return         | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                 | 3.00%   |
| Cost-of-living adjustments (COLA) | 0.0%, effective July 1, 2017                              |

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

|  | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| School's proportionate share<br>of the net pension liability | \$ 5,507               | \$ 3,771                            | \$ 2,302               |

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

The School has contracted with the Renhill Group to provide substitute teachers (see Note 9) and to pay those employees. However, these purchased services do not relieve the School of the obligation for remitting OPEB contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

*Net OPEB Asset*

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

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

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

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

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB asset was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

|                                  | STRS               |
|----------------------------------|--------------------|
| Proportion of the net OPEB asset |                    |
| current measurement date         | <u>0.00001715%</u> |
| Proportionate share of the net   |                    |
| OPEB asset                       | \$ (276)           |
| OPEB expense                     | \$ (496)           |

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | STRS   |
|--|--------|
| <b>Deferred outflows of resources</b>  |        |
| Differences between expected and actual experience   | \$ 33  |
| Difference between employer contributions and proportionate share of contributions/change in proportionate share | 611    |
| Total deferred outflows of resources   | \$ 644 |

|  | STRS   |
|--|--------|
| <b>Deferred inflows of resources</b>   |        |
| Differences between expected and actual experience                               | \$ 16  |
| Net difference between projected and actual earnings on pension plan investments | 32     |
| Changes of assumptions   | 376    |
| Total deferred inflows of resources  | \$ 424 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                             | STRS   |
|-----------------------------|--------|
| Fiscal Year Ending June 30: |        |
| 2020                        | \$ 31  |
| 2021                        | 31     |
| 2022                        | 31     |
| 2023                        | 39     |
| 2024                        | 41     |
| Thereafter                  | 47     |
| Total                       | \$ 220 |



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

|                                      | July 1, 2018  | July 1, 2017  |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%, effective July 1, 2017                             |
| Discounted rate of return            | 7.45%   | N/A   |
| Blended discount rate of return      | N/A   | 4.13%   |
| Health care cost trends              |   | 6 to 11% initial, 4.50% ultimate                          |
|                                      | Initial   | Ultimate  |
| Medical                              |   |   |
| Pre-Medicare                         | 6.00%   | 4.00%   |
| Medicare                             | 5.00%   | 4.00%   |
| Prescription Drug                    |   |   |
| Pre-Medicare                         | 8.00%   | 4.00%   |
| Medicare                             | -5.23%  | 4.00%   |

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (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<br>Allocation** | Long Term Expected<br>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                | <u>100.00 %</u>        |   |

\*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School's proportionate share<br>of the net OPEB asset | \$ 236                 | \$ 276                              | \$ 309                 |

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|   | 1% Decrease |    | Current<br>Trend Rate |    | 1% Increase |
|---|-------------|----|-----------------------|----|-------------|
| School's proportionate share<br>of the net OPEB asset | \$ 307      | \$ | 276                   | \$ | 244         |

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2019.

**B. State Foundation Funding**

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2019.

As a result of the fiscal year 2019 reviews to-date, the School is due \$342 from ODE. This amount has been recorded as an intergovernmental receivable at June 30, 2019.

In addition, the School's contract with the Sponsor requires payment based on revenues received from the State. As a result of the fiscal year 2019 reviews, the School has recorded accounts payable in the amount of \$10 at June 30, 2019.

**C. Litigation**

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

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**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

CURRENT FISCAL YEAR

|  | <u>2019</u> |
|--|-------------|
| School's proportion of the net pension liability   | 0.00001715% |
| School's proportionate share of the net pension liability  | \$ 3,771    |
| School's covered payroll   | \$ 1,950    |
| School's proportionate share of the net pension liability as a percentage of its covered payroll | 193.38%     |
| Plan fiduciary net position as a percentage of the total pension liability                       | 77.31%      |

Note: Prior to fiscal year 2019 the net pension liability was not reported by the School, as the liability was considered by management to not have a material impact on the School's financial statements. Beginning in fiscal year 2019, the net pension liability has been reported.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| Contractually required contribution                                  | \$ 485      | \$ 273      |
| Contributions in relation to the contractually required contribution | (485)       | (273)       |
| Contribution deficiency (excess)                                     | \$ -        | \$ -        |
| School's covered payroll   | \$ 3,464    | \$ 1,950    |
| Contributions as a percentage of covered payroll                     | 14.00%      | 14.00%      |

Note: Information prior to fiscal year 2018 is not available.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF  
THE NET OPEB ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

CURRENT FISCAL YEAR

|   | <u>2019</u> |
|---|-------------|
| School's proportion of the net OPEB asset   | 0.00001715% |
| School's proportionate share of the net OPEB (asset)                                      | \$ (276)    |
| School's covered payroll  | \$ 1,950    |
| School's proportionate share of the net OPEB asset as a percentage of its covered payroll | 14.15%      |
| Plan fiduciary net position as a percentage of the total OPEB asset                       | 176.00%     |

Note: Prior to fiscal year 2019 the net OPEB liability/asset was not reported by the School, as the liability/asset was considered by management to not have a material impact on the School's financial statements. Beginning in fiscal year 2019, the net OPEB asset has been reported.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| Contractually required contribution                                  | \$ -        | \$ -        |
| Contributions in relation to the contractually required contribution | -           | -           |
| Contribution deficiency (excess)                                     | \$ -        | \$ -        |
| School's covered payroll   | \$ 3,464    | \$ 1,950    |
| Contributions as a percentage of covered payroll                     | 0.00%       | 0.00%       |

Note: Information prior to fiscal year 2018 is not available.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER  
SUMMIT COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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PENSION

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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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

Greater Summit County Early Learning Center  
Summit County  
1651 Massillon Road  
Akron, Ohio 44312

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 the Greater Summit County Early Learning Center, Summit County, (the School) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 10, 2020. We noted the financial impact of COVID-19 and the continuing emergency measures that may impact subsequent periods of the School.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

December 10, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**GREATER SUMMIT COUNTY EARLY LEARNING CENTER ELEMENTARY SCHOOL**

**SUMMIT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/31/2020**

88 East Broad Street, Columbus, Ohio 43215  
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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)