HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

REGULAL AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

OHIO AUDITOR OF STATE
KEITH FABER

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Heir Force Community School
Allen County
150 West Grand Avenue
Lima, Ohio 45801

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Heir Force Community School, Allen County, Ohio (the School), as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Heir Force Community School, Allen County, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during fiscal year 2018, the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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

March 31, 2020

The management's discussion and analysis of the Heir Force Community School (the "School") financial performance provides an overall review of the School's financial activities for the fiscal 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 our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights during fiscal year 2019 are as follows:

- Total net position of the School increased $264,499 during the fiscal year. Ending net position of the School was negative $1.6 million compared with negative $1.9 million at June 30, 2018.
- Total assets increased $134,125 from the prior fiscal year and total liabilities decreased by $553,801 during this same 12-month period.
- The School's operating loss for fiscal year 2019 was $146,637.
- Total revenues decreased by $19,342 compared to those reported for the prior fiscal year while total expenses increased by $384,923 during the same period.

Using the Basic Financial Statements

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and Notes to the Basic Financial Statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Financial Analysis

Table 1 provides a summary of the School's net position for 2019 compared to 2018:

Table 1
Net Position

	2019	2018
Assets:		
Current Assets	$ 594,756	$ 580,782
Security Deposits	12,000	12,000
Capital Assets, Net	203,578	188,074
Net OPEB Asset	104,647	-
Total Assets	914,981	780,856
Deferred Outflows of Resources:		
Pension	509,027	686,840
OPEB	27,667	28,857
Total Deferred Outflows of Resources	536,694	715,697
Liabilities		
Current Liabilities	180,291	166,881
Long-Term Liabilities		
Other Long Term Liabilities	54,154	15,725
Pension	2,025,432	2,330,673
OPEB	284,690	585,089
Total Liabilities	2,544,567	3,098,368
Deferred Inflows of Resources		
Pension	285,457	209,387
OPEB	247,775	79,421
Total Deferred Outflows of Resources	533,232	288,808
Net Position:		
Net Investment in Capital Assets	155,261	167,249
Restricted	65,331	88,838
Unrestricted (Deficit)	(1,846,716)	(2,146,710)
Total Net Position	$ (1,626,124)	$ (1,890,623)

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources related to pensions/OPEB all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

The total net position reported for fiscal year 2019 increased by $264,499. Table 2 provides a summary of the School's change in net position for 2019 and 2018:

Table 2
Changes in Net Position

	2019	2018
Operating Revenues:		
Foundation Revenues	$ 1,711,322	$ 1,714,693
Other Unrestricted Grants-In-Aid	59,331	61,742
Econcomic Disadvantaged Funding	155,384	157,725
Food Services	116	134
Classroom Fees	10,698	15,146
Total Operating Revenue	1,936,851	1,949,440
Operating Expenses:		
Salaries	1,049,213	1,070,033
Fringe Benefits	(7,339)	(634,187)
Purchased Services	812,131	981,377
Materials and Supplies	135,218	216,422
Depreciation	29,834	24,702
Other Operating Expenses	64,431	40,218
Total Operating Expenses	2,083,488	1,698,565
Non-Operating Revenues:		
Federal and State Grants	396,990	397,455
Other	14,146	20,434
Total Non-Operating Revenues	411,136	417,889
Change in Net Position	264,499	668,764
Net Position, Beginning of Year	(1,890,623)	(2,559,387)
Net Position, End of the Year	(1,626,124)	(1,890,623)

Total Expenses increased in comparison with the prior fiscal year. This increase is primarily the result of a increase in pension/OPEB expense from negative $767,967 in fiscal year 2018 to negative $137,572 in fiscal year 2019. This increase is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments, while still greater than expected.

Capital Assets

At the end of fiscal year 2019, the School had $203,578 invested in leasehold improvements and furniture and equipment, an increase of $15,504 in comparison with the prior fiscal year. This increase represents the amount by which current year additions exceeded current year depreciation. See Note 5 of the basic financial statements for additional details.

Debt

At fiscal year-end, the School had $86,488 in capital leases outstanding, an increase of $65,663 during the fiscal year. This increase represents the amount in which new leases, totaling $97,997, exceeded lease principal payments, totaling $32,334. See Note 6 of the basic financial statements for additional details.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the finances of the Heir Force Community School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Heir Force Community School, 150 West Grand Avenue, Lima, Ohio 45801.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Assets:		
Current Assets		
Cash and Cash Equivalents	$	533,851
Intergovernmental Receivable		30,050
Prepaid Items		30,855
Total Current Assets		594,756
Noncurrent Assets		
Security Deposit		12,000
Capital Assets, Net		203,578
Net OPEB Asset		104,647
Total Noncurrent Assets		320,225
Total Assets		914,981
Deferred Outflows of Resources:		
Pension		509,027
OPEB		27,667
Total Deferred Outflows of Resources		536,694
Liabilities:		
Current Liabilities		
Accounts Payable		32,640
Accrued Wages and Benefits Payable		97,395
Intergovernmental Payable		17,922
Capital Leases Payable		32,334
Total Current Liabilities		180,291
Long-Term Liabilities:		
Capital Leases Payable		54,154
Net Pension Liability		2,025,432
Net OPEB Liability		284,690
Total Long-Term Liabilities		2,364,276
Total Liabilities		2,544,567
Deferred Inflows of Resources:		
Pension		285,457
OPEB		247,775
Total Deferred Inflows of Resources		533,232
Net Position:		
Net Investment in Capital Assets		155,261
Restricted		65,331
Unrestricted (Deficit)		(1,846,716)
Total Net Position	$	(1,626,124)

See accompanying notes to the basic financial statements.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

Operating Revenues:	
Foundation Payments	$ 1,711,322
Other Unrestricted Grants-In-Aid	59,331
Economic Disadvantaged Funding	155,384
Food Services	116
Classroom Fees	10,698
Total Operating Revenues	1,936,851
Operating Expenses:	
Salaries	1,049,213
Fringe Benefits	(7,339)
Purchased Services	812,131
Materials and Supplies	135,218
Depreciation	29,834
Other	64,431
Total Operating Expenses	2,083,488
Operating Loss	(146,637)
Non-Operating Revenues:	
Federal Grant Revenue	391,627
State Grant Revenue	5,363
Contribution and Donation Revenue	500
Other	13,646
Total Non-Operating Revenues	411,136
Change in Net Position	264,499
Net Position Beginning of Year	(1,890,623)
Net Position End of Year	$ (1,626,124)

See accompanying notes to the basic financial statements.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 1,917,388
Received from Food Services	116
Received from Classroom Fees	10,698
Payments to Suppliers for Goods and Services	(896,115)
Payments to Employees for Services and Benefits	(1,339,435)
Payments for Other Operating Disbursements	(66,856)
Net Cash Used for Operating Activities	(374,204)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	376,911
State Grants Received	5,363
Contributions and Donations	500
Principal Paid on Lease	(19,086)
Other Non-Operating Receipts	13,646
Net Cash Provided by Noncapital Financing Activities	377,334
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(4,598)
Principal Paid on Lease	(13,248)
Net Cash Used for Capital and Related Financing Activities	(17,846)
Net Decrease in Cash and Cash Equivalents	(14,716)
Cash and Cash Equivalents at Beginning of Year	548,567
Cash and Cash Equivalents at End of Year	$ 533,851

See accompanying notes to the basic financial statements.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(146,637)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		29,834
Noncapital Financing		57,257
Changes in Assets and Liabilities:		
Intergovernmental Receivable		(6,484)
Prepaid Items		(7,490)
Accounts Payable		(6,321)
Accrued Wages		(714)
Intergovernmental Payable		(6,789)
Net Pension Liability and Related Deferrals		(51,358)
Other Postemployment Benefits Asset/Liability and Related Deferrals		(235,502)
Net Cash Used for Operating Activities	$	(374,204)

Schedule of Noncash Transactions:

During the fiscal year, the School entered into a capital lease transaction totaling $40,740.

See accompanying notes to the basic financial statements.

Note 1 – Description of the School and Reporting Entity

Heir Force Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's primary focus is to provide ability-centered education that prepares children for a successful future both academically and socially. The School guides and establishes learning experiences that assist each student in discovering and developing his or her individuality and talents in becoming a mature, responsible, civil and productive member of society. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with Educational Service Center of Lake Erie West (the Sponsor) for a period commencing July 7, 2004 to June 30, 2009. The contract has since been amended and is automatically extended or renewed each year, unless terminated or non-renewed based on the terms of the contract. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Governing Board (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the School's instructional/support facility staffed by 8 non-certified and 22 certified teaching personnel who provide services to 239 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School (Note 15).

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School's 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 reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted; matching requirements, in which the School must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code Section 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 Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

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

For the purpose of the statement of cash flows and for the presentation of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents.

F. Capital Assets

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

Note 2 – Summary of Significant Accounting Policies (Continued)

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	10-25 years

G. Estimates

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

H. Intergovernmental Revenue

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

I. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

J. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Position relating to expenses, which are due but unpaid as of June 30, 2019, including (1) wages and benefits payable, consisting of salary and benefit payments made after year-end to instructional and support staff for services rendered prior to year-end, (2) accounts payable, consisting of payments due for services or goods that were rendered or received during fiscal year 2019, and (3) intergovernmental payables, consisting of payments made after year-end for the Schools' share of retirement contributions and Medicare associated with services rendered during the fiscal year.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions and OPEB are explained in Note 8 and Note 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension and OPEB are explained in Note 8 and Note 9.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Net Position

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

Note 3 – Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the School's deposits was $533,851, and the bank balance was $548,674. Of the School's bank balance, $250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized.

The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Note 3 – Deposits (Continued)

1. Eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collaterial System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Note 4 – Intergovernmental Receivables

Receivables at June 30, 2019 consisted of intergovernmental receivables arising from state foundation underpayment, pension system overpayments, and federal grants. All receivables are considered collectable in full.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

Capital Assets:	**Beginning Balance**	**Additions**	**Deletions**	**Ending Balance**
Leasehold Improvements	$ 233,987	$ -	$ -	$ 233,987
Furniture and Equipment	500,170	45,338	-	545,508
Total Capital Assets	734,157	45,338	-	779,495
Less Accumulated Depreciation:				
Leasehold Improvements	(85,852)	(13,490)	-	(99,342)
Furniture and Equipment	(460,231)	(16,344)	-	(476,575)
Total Accumulated Depreciation	(546,083)	(29,834)	-	(575,917)
Net Capital Assets	$ 188,074	$ 15,504	$ -	$ 203,578

Note 6 – Capital Lease

In fiscal year 2018,the School entered into a lease agreement with US Bank for the lease of a copier with accessories. The term of the lease was 60 months and commenced on September 1, 2017, with required payments of $425 per month. Lease payments during the fiscal year totaled $5,100.

Note 6 – Capital Lease (Continued)

In fiscal year 2019, the School entered into a lease agreement with US Bank for the lease of a copier with accessories. The term of the lease was 60 months and commenced on August 6, 2018, with required payments of $679 per month. Lease payments during the fiscal year totaled $8,148.

The School also entered into a 36 month lease agreement for Chromebooks with Hewlett-Packard Financial Services. The lease commenced July 15, 2018 with required payments of $1,590 per month. Lease payments during the fiscal year totaled $19,086.

The following is a schedule of the future payments required under the capital lease as of June 30, 2019:

Year Ended	Amount
June 30, 2020	$ 32,334
June 30, 2021	32,333
June 30, 2022	13,248
June 30, 2023	8,573
Total	$ 86,488

Note 7 – Operating Leases

The School leases land and school facilities located at 2000 North Cole Street and 150 West Grand from Cornerstone Harvest Church. For fiscal year 2019, the lease agreement contained required payments of $19,178 per month for a total lease expense of $230,143.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2019:

Year Ended	Facilities
June 30, 2020	$ 230,143

The minimum rental payments owed on the contracts mentioned above are not expected to change during the terms of those contracts.

Note 8 – Defined Benefit Plans

Net Pension Liability

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

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

Ohio Revised Code limits the 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.

Plan Description - School Employees Retirement System (SERS)

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

Note 8 – Defined Benefit Plans (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA's have been suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.50 percent and .50 percent was allocated to the Health Care Fund.

The School's contractually required pension contribution to SERS was $42,068 for fiscal year 2019. The entire amount was paid during the fiscal year.

Plan Description - State Teachers Retirement System (STRS)

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

<u>Note 8 – Defined Benefit Plans (Continued)</u>

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

Note 8 – Defined Benefit Plans (Continued)

The School's contractually required contribution to STRS was $102,915 for fiscal year 2019. Of this amount $7,284 was recorded as an intergovernmental payable at June 30, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 593,508	$ 1,431,924	$ 2,025,432
Proportion of the Net Pension Liability Current Measurement Date	0.0103630%	0.00651237%	
Proportion of the Net Pension Liability Prior Measurement Date	0.0115386%	0.00690908%	
Change in Proportionate Share	-0.0011756%	-0.00039671%	
Pension Expense	$ (6,403)	$ 100,028	$ 93,625

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

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Note 8 – Defined Benefit Plans (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$32,550	$33,053	$65,603
Changes of assumptions	13,403	253,764	267,167
Difference between School contributions and proportionate share of contributions	1,357	29,917	31,274
School contributions subsequent to the measurement date	42,068	102,915	144,983
Total Deferred Outflows of Resources	$89,378	$419,649	$509,027
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$9,351	$9,351
Difference between School contributions and proportionate share of contributions	81,462	91,370	172,832
Net difference between projected and actual earnings on pension plan investments	16,444	86,830	103,274
Total Deferred Inflows of Resources	$97,906	$187,551	$285,457

$144,983 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	($10,455)	$87,365	$76,910
2021	(15,617)	71,517	55,900
2022	(19,478)	3,650	(15,828)
2023	(5,046)	(33,349)	(38,395)
Total	($50,596)	$129,183	$78,587

Note 8 – Defined Benefit Plans (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

Note 8 – Defined Benefit Plans (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$836,001	$593,508	$390,194

Note 8 – Defined Benefit Plans (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0 percent effective July 1, 2017

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

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.

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

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

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

Note 8 – Defined Benefit Plans (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent 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. 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 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	$2,091,136	$1,431,924	$873,990

Note 9 – Defined Benefit OPEB Plans

Net OPEB Asset/Liability

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Note 9 – Defined Benefit OPEB Plans (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2019, the School's surcharge obligation was $2,747. The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $4,305 for fiscal year 2019. Of this amount, $2,786 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Asset/Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

Note 9 – Defined Benefit OPEB Plans (Continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset Current Measurement Date	0.0102618%	0.00651237%	
Proportion of the Net OPEB Liability/Asset Prior Measurement Date	0.0117568%	0.00690908%	
Change in Proportionate Share	-0.0014950%	-0.0003967%	
Proportion Share of the Net OPEB Liability/(Asset)	$284,690	($104,647)	$180,043
OPEB Expense	($2,642)	($228,555)	($231,197)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 4,647	$ 12,223	$ 16,870
Difference between School contributions and proportionate share of contributions	-	6,492	6,492
School contributions subsequent to the measurement date	4,305	-	4,305
Total Deferred Outflows of Resources	$ 8,952	$ 18,715	$ 27,667
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 6,097	$ 6,097
Changes of assumptions	25,577	142,590	168,167
Difference between School contributions and proportionate share of contributions	46,992	14,137	61,129
Net difference between projected and actual earnings on OPEB plan investments	427	11,955	12,382
Total Deferred Inflows of Resources	$ 72,996	$ 174,779	$ 247,775

$4,305 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 9 – Defined Benefit OPEB Plans (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (22,863)	$ (27,629)	$ (50,492)
2021	(19,249)	(27,629)	(46,878)
2022	(7,809)	(27,629)	(35,438)
2023	(7,630)	(24,916)	(32,546)
2024	(7,658)	(23,964)	(31,622)
2025	(3,140)	(24,297)	(27,437)
Total	$ (68,349)	$ (156,064)	$ (224,413)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Note 9 – Defined Benefit OPEB Plans (Continued)

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School's proportionate share of the net OPEB liability	$345,449	$284,690	$236,580

Note 9 – Defined Benefit OPEB Plans (Continued)

	1% Decrease (6.25% decreasing to 3.75 percent)	Current Trend Rate (7.25% decreasing to 4.75 percent)	1% Increase (8.25% decreasing to 5.75 percent)
School's proportionate share of the net OPEB liability	$229,693	$284,690	$357,516

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00 percent
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends	
Pre-Medicare	6.00 percent initial, 4.00 percent ultimate
Medicare	5.00 percent initial, 4.00 percent ultimate
Perscription Drug Cost Trends	
Pre-Medicare	8.00 percent initial, 4.00 percent ultimate
Medicare	negative 5.23 percent initial, 4.00 percent ultimate

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

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

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability 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 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	($89,692)	($104,647)	($117,216)

Note 9 – Defined Benefit OPEB Plans (Continued)

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	($116,506)	($104,647)	($92,603)

Note 10 - Restricted Net Position

The nature of the School's net position restrictions at fiscal year-end are as follows:

Description	Amount
Food Service Program	$61,942
Fund Raising Activities	3,389
	$65,331

Note 11 – Risk Management

A. Property and Liability - The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During 2019, the School contracted with Ralph E. Wade Insurance Agency for property and general liability insurance as follows.

Commercial General Liability	$	1,000,000
General Aggregate		2,000,000
Automobile Liability		1,000,000
Excess Liability		1,000,000
Directors and Officers Liability		1,000,000
Directors and Officers Aggregate		2,000,000
Umbrella		2,000,000

There was no significant reduction in coverage from the prior year. Settlement amount have not exceeded coverage amounts in each of the past three years.

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

C. Employee Medical and Dental Benefits - The School contracted through independent agents to provide employee medical, dental, and vision insurance to its full-time employees who work 30 or more hours a week. The School pays 80 percent of the monthly premiums for all selected coverage with the remaining coverage paid by the employee.

Note 12 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2019, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform 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 and determined the School was underpaid by $3,650. This amount is reported as intergovernmental receivable on the Statement of Net Position.

Note 13 – Purchased Services

Purchased service expenses during the fiscal year were as follows:

Instructional Improvement	$ 8,712
Health Services	35,186
Management Services	57,662
Legal Services	4,624
Other Professional and Technical Services	103,605
Garbage Removal and Cleaning	5,792
Repairs and Maintenance Services	151,880
Rentals	242,772
Meeting Expenses	8,209
Postage	2,210
Advertising	1,198
Utilities	56,995
Transportation Services	5,596
Contracted Food Services	126,623
Other Purchased Services	1,067
Total	$ 812,131

Note 14 – Related Parties

The School has leased classroom space and an Impact Center from Cornerstone Harvest Church and also pays maintenance costs with the lease of this space. Some members of the Board of Directors of the School are also members of Cornerstone Harvest Church.

Note 15 – Fiscal Agent

Beginning July 1, 2008, the School was a party to a fiscal services agreement with Mangen & Associates (M&A) LLC, which is an education finance consulting company. The Agreement's term was for a twelve-month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provided that M&A will perform treasurer and financial support services.

The School and M&A entered into a new three-year agreement, commencing July 1, 2017 and ending on June 30, 2020 for continued treasurer and financial support services. Payments totaling $85,008 were paid during the year.

The following is a summary of the services M&A will provide as Treasurer of the School, M&A

Note 15 – Fiscal Agent (continued)

1. **Treasurer of Record**
   a. Signatory to certify availability of funds
   b. Establish appropriate checks and balances
   c. Oversee administration of payroll and payables
   d. Accommodate SERS and STRS filing and payment requirements
   e. Complete all required state and federal reports and financial EMIS data
   f. Plan and implement reserve growth plan and ORC 135 investments
   g. Prepare and oversee budget and long-term financial plan
   h. Ensure adherence to established board policies
   i. Provide equity position updates with budget
   j. Provide ongoing training and support to Director/Board in school funding and accounting
   k. Assistance with accessing and managing all government and private grants

2. **Provide an efficient and effective accounting system**
   a. Use a model purchase requisition, order, invoice, payment process
   b. Certify funds for all contracts and purchases over $500
   c. Process receipts, payables, and payroll through State Software
   d. Secure copy of capital asset and inventory list from School
   e. Present monthly fund balances for each restricted and unrestricted fund
   f. Reconcile all bank statements and USAS reports monthly
   g. Provide monthly, quarterly, mid-year and annual financial information, including ending fund balances for each fund, receipts/disbursements summary, cash flow analysis, and year-to-date budget/actual analysis.

3. **CCIP Grants Management- CCIP (Comprehensive Continuous Improvement Planning) and Competitive Grant Writing and Administration**
   a. Coordinate efforts with Heir Force Community School educational leaders as well as the Treasurer to ensure efficient, effective and proper use of CCIP funds.
   b. Provide District CCIP Plan writing/editing assistance & CCIP budget coordination
   c. Provide ongoing CCIP budget reviews with treasurer
   d. Provide assistance with any CCIP carryover allocations
   e. Provide assistance with compliance/audit (PACTS). Director will be responsible for completing PACTS self-evaluation
   f. Draft Project Cash Requests and Final Expenditure Reports for treasurer approval

Note 16 – Change in Accounting Principles

For fiscal year ending June 30, 2019, the School has implemented the following:

GASB Statement No. 83 "Certain Asset Retirement Obligations" will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have an effect on the financial statements of the School.

REQUIRED SUPPLEMENTARY INFORMATION

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0103630%	0.0115386%	0.0125647%	0.013841%	0.012989%	0.012989%
School's Proportionate Share of the Net Pension Liability	$ 593,508	$ 689,406	$ 919,620	$ 789,792	$ 657,365	$ 772,414
School's Covered Payroll	$ 319,685	$ 387,360	$ 355,732	$ 451,662	$ 379,571	$ 288,822
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.65%	177.98%	258.51%	174.86%	173.19%	267.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00651237%	0.00690908%	0.00673914%	0.00675211%	0.00725349%	0.00725349%
School's Proportionate Share of the Net Pension Liability	$ 1,431,924	$ 1,641,267	$ 2,255,793	$ 1,866,086	$ 1,764,300	$ 2,101,622
School's Covered Payroll	$ 745,223	$ 784,748	$ 721,802	$ 728,335	$ 841,654	$ 776,085
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.15%	209.15%	312.52%	256.21%	209.62%	270.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 42,068	$ 43,158	$ 54,230	$ 49,803	$ 59,529	$ 52,609	$ 39,973	$ 30,421	$ 30,008	$ 23,565
Contributions in Relation to the Contractually Required Contribution	$ 42,068	$ 43,158	$ 54,230	$ 49,803	$ 59,529	$ 52,609	$ 39,973	$ 30,421	$ 30,008	$ 23,565
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 311,613	$ 319,685	$ 387,360	$ 355,732	$ 451,662	$ 379,571	$ 288,822	$ 226,178	$ 238,727	$ 174,040
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 102,915	$ 104,331	$ 109,865	$ 101,052	$ 101,967	$ 109,415	$ 100,891	$ 90,715	$ 81,108	$ 74,620
Contributions in Relation to the Contractually Required Contribution	$ 102,915	$ 104,331	$ 109,865	$ 101,052	$ 101,967	$ 109,415	$ 100,891	$ 90,715	$ 81,108	$ 74,620
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 735,107	$ 745,223	$ 784,748	$ 721,802	$ 728,335	$ 841,654	$ 776,085	$ 697,808	$ 623,907	$ 574,000
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST THREE FISCAL YEARS (1)

	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.0102618%	0.0117568%	0.0124934%
School's Proportionate Share of the Net OPEB Liability	$ 284,690	$ 315,522	$ 356,107
School's Covered Payroll	$ 319,685	$ 387,360	$ 355,732
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.05%	81.45%	100.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST THREE FISCAL YEARS (1)

	2019	2018	2017
School's Proportion of the Net OPEB Liability/(Asset)	0.00651237%	0.00690908%	0.00673914%
School's Proportionate Share of the Net OPEB Liability/(Asset)	$ (104,647)	$ 269,567	$ 360,411
School's Covered Payroll	$ 745,223	$ 784,748	$ 721,802
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.04%	34.35%	49.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution (1)	$ 4,305	$ 6,026	$ 6,629	$ 6,574	$ 11,039	$ 4,872	$ 6,393	$ 6,747	$ 6,927	$ 804
Contributions in Relation to the Contractually Required Contribution	$ 4,305	$ 6,026	$ 6,629	$ 6,574	$ 11,039	$ 4,872	$ 6,393	$ 6,747	$ 6,927	$ 804
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 311,613	$ 319,685	$ 387,360	$ 355,732	$ 451,662	$ 379,574	$ 288,822	$ 226,178	$ 238,727	$ 174,040
OPEB Contributions as a Percentage of Covered Payroll	1.38%	1.88%	1.71%	1.85%	2.44%	1.28%	2.21%	2.98%	2.90%	0.46%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ 7,474	$ 7,761	$ 6,978	$ 6,239	$ 5,740
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -	$ -	$ 7,474	$ 7,761	$ 6,978	$ 6,239	$ 5,740
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 735,107	$ 745,223	$ 784,748	$ 721,802	$ 728,335	$ 841,654	$ 776,085	$ 697,808	$ 623,907	$ 574,000
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.89%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

NOTE 1 – NET PENSION LIABILITY

School Employees Retirement System

Changes in benefit terms:

Fiscal year 2019 With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

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

Changes in assumptions:

Fiscal year 2017 The SERS Board adopted several assumption changes, including changes to:

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

NOTE 1 – NET PENSION LIABILITY – (continued)

State Teachers Retirement System

Changes in benefit terms:

Fiscal year 2018 The cost-of-living adjustment was reduced to zero.

Changes in assumptions:

Fiscal year 2018 The STRS Board adopted several assumption changes, including changes to:

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

NOTE 2 – NET OPEB LIABILITY

School Employees Retirement System

Changes in benefit terms: There have been no changes to the benefit provisions.

Changes in Assumptions:

Fiscal year 2019 The discount rate used to measure the total OPEB liability was increased from 3.63% to 3.70% and the municipal bond rate was increased from 3.56% to 3.62%.

Fiscal year 2018 The discount rate used to measure the total OPEB liability was increased from 2.98% to 3.63% and the municipal bond rate was increased from 2.92% to 3.56%.

NOTE 2 – NET OPEB LIABILITY– (continued)

State Teachers Retirement System

Changes in benefit terms: There have been no changes to the benefit provisions.

Fiscal year 2019	The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% 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.
Fiscal year 2018	The subsidy multiplier for non-Medicare benefit recipients was reduced 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..

Changes in Assumptions:

Fiscal year 2019	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.
Fiscal year 2018	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)"* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

The management's discussion and analysis of the Heir Force Community School (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights during fiscal year 2018 are as follows:

- Total net position of the School increased $668,764 during the fiscal year. Ending net position of the School was negative $1,890,623 compared with negative $2,559,387 at June 30, 2017.

- Total assets decreased $234,795 from the prior fiscal year and total liabilities decreased by $958,246 during this same 12-month period.

- The School's operating income for fiscal year 2018 was $250,875.

- Total revenues decreased by $178,834 compared to those reported for the prior fiscal year while total expenses decreased by $1.1 million during the same period.

Using the Basic Financial Statements

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and Notes to the Basic Financial Statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Financial Analysis

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

Table 1
Net Position

	2018	Restated 2017
Assets:		
Current Assets	$ 580,782	$ 819,574
Security Deposits	12,000	12,000
Capital Assets, Net	188,074	184,077
Total Assets	780,856	1,015,651
Deferred Outflows of Resources:		
Pension	686,840	614,423
OPEB	28,857	6,629
Total Deferred Outflows of Resources	715,697	621,052
Liabilities		
Current Liabilities	166,881	164,683
Long-Term Liabilities		
Other Long Term Liabilities	15,725	-
Pension	2,330,673	3,175,413
OPEB	585,089	716,518
Total Liabilities	3,098,368	4,056,614
Deferred Inflows of Resources		
Pension	209,387	139,476
OPEB	79,421	-
Total Deferred Outflows of Resources	288,808	139,476
Net Position:		
Net Investment in Capital Assets	167,249	184,077
Restricted	88,838	88,632
Unrestricted (Deficit)	(2,146,710)	(2,832,096)
Total Net Position	$ (1,890,623)	$ (2,559,387)

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from negative $1.9 million to negative $2.6 million.

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

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The total net position reported for fiscal year 2018 increased by $668,764. Table 2 provides a summary of the School's change in net position for 2018 and 2017:

Table 2
Changes in Net Position

	2018	2017
Operating Revenues:		
Foundation Revenues	$ 1,714,693	$ 1,801,965
Other Unrestricted Grants-In-Aid	61,742	64,930
Econcomic Disadvantaged Funding	157,725	163,830
Food Services	134	275
Classroom Fees	15,146	11,546
Total Operating Revenue	1,949,440	2,042,546
Operating Expenses:		
Salaries	1,070,033	1,176,358
Fringe Benefits	(634,187)	330,139
Purchased Services	981,377	971,302
Materials and Supplies	216,422	246,211
Depreciation	24,702	28,002
Other Operating Expenses	40,218	14,095
Total Operating Expenses	1,698,565	2,766,107
Non-Operating Revenues:		
Federal Grants	397,455	487,094
Other	20,434	16,523
Total Non-Operating Revenues	417,889	503,617
Change in Net Position	668,764	(219,944)
Net Position, Beginning of Year, Restated	(2,559,387)	N/A
Net Position, End of the Year	(1,890,623)	(2,559,387)

Foundation Revenues decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in enrollment from 258 students in fiscal year 2017 to 242 students in fiscal year 2018.

Federal Grants also decrease significantly in comparison with the prior fiscal year. This decrease is the result of decreases in Title VI-B (special education) and Title I (school improvement) funding.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $6,629 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $68,210. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$	1,698,565
Negative OPEB expense under GASB 75		68,210
2018 contractually required contribution		6,026
Adjusted 2018 operating expenses		1,772,801
Total 2017 operating expenses under GASB 45		2,766,107
Decrease in operating expenses not related to OPEB	$	(993,306)

This decrease in operating expenses is primarily the result of a significant decrease in pension expense from $221,008 in fiscal year 2017 to negative $699,757 in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Capital Assets

At the end of fiscal year 2018, the School had $188,074 invested in leasehold improvements and furniture and equipment, an increase of $3,997 in comparison with the prior fiscal year. This increase represents the amount by which current year additions exceeded current year depreciation. See Note 5 of the basic financial statements for additional details.

Debt

The School entered into a capital lease during the fiscal year in the amount of $25,500. Payments of $4,675 were made during the year leaving a balance of $20,825 at fiscal year-end.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the finances of the Heir Force Community School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Heir Force Community School, 150 West Grand Avenue, Lima, Ohio 45801.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Assets:		
Current Assets		
Cash and Cash Equivalents	$	548,567
Intergovernmental Receivable		8,850
Prepaid Items		23,365
Total Current Assets		580,782
Noncurrent Assets		
Security Deposit		12,000
Capital Assets, Net		188,074
Total Noncurrent Assets		200,074
Total Assets		780,856
Deferred Outflows of Resources:		
Pension		686,840
OPEB		28,857
Total Deferred Outflows of Resources		715,697
Liabilities:		
Current Liabilities		
Accounts Payable		38,961
Accrued Wages and Benefits Payable		98,109
Intergovernmental Payable		24,711
Capital Leases Payable		5,100
Total Current Liabilities		166,881
Long-Term Liabilities:		
Capital Leases Payable		15,725
Net Pension Liability		2,330,673
Net OPEB Liability		585,089
Total Long-Term Liabilities		2,931,487
Total Liabilities		3,098,368
Deferred Inflows of Resources:		
Pension		209,387
OPEB		79,421
Total Deferred Inflows of Resources		288,808
Net Position:		
Net Investment in Capital Assets		167,249
Restricted		88,838
Unrestricted (Deficit)		(2,146,710)
Total Net Position	$	(1,890,623)

See accompanying notes to the basic financial statements.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

Operating Revenues:	
Foundation Payments	$ 1,714,693
Other Unrestricted Grants-In-Aid	61,742
Economic Disadvantaged Funding	157,725
Food Services	134
Classroom Fees	15,146
Total Operating Revenues	1,949,440
Operating Expenses:	
Salaries	1,070,033
Fringe Benefits	(634,187)
Purchased Services	981,377
Materials and Supplies	216,422
Depreciation	24,702
Other	40,218
Total Operating Expenses	1,698,565
Operating Income	250,875
Non-Operating Revenues:	
Federal Grant Revenue	397,455
Other	20,434
Total Non-Operating Revenues	417,889
Change in Net Position	668,764
Net Position Beginning of Year, Restated	(2,559,387)
Net Position End of Year	$ (1,890,623)

See accompanying notes to the basic financial statements.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

Cash Flows from Operating Activities:	
Received from State of Ohio	$ 1,937,541
Received from Food Services	134
Received from Classroom Fees	15,146
Payments to Suppliers for Goods and Services	(1,169,329)
Payments to Employees for Services and Benefits	(1,380,170)
Payments for Other Operating Disbursements	(38,133)
Net Cash Used for Operating Activities	(634,811)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	397,455
Other Non-Operating Receipts	20,434
Net Cash Provided by Noncapital Financing Activities	417,889
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(3,199)
Principal Paid on Lease	(4,675)
Net Cash Used for Capital and Related Financing Activities	(7,874)
Net Decrease in Cash and Cash Equivalents	(224,796)
Cash and Cash Equivalents at Beginning of Year	773,363
Cash and Cash Equivalents at End of Year	$ 548,567

See accompanying notes to the basic financial statements.

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

Reconciliation of Operating Income to Net Cash Used for Operating Activities:		
Operating Income	$	250,875
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation		24,702
Changes in Assets and Liabilities:		
Intergovernmental Receivable		(5,222)
Prepaid Items		19,218
Accounts Payable		12,212
Accrued Wages		(11,478)
Intergovernmental Payable		(3,636)
Net Pension Liability and Related Deferrals		(847,246)
Other Postemployment Benefits Liability and Related Deferrals		(74,236)
Net Cash Used for Operating Activities	$	(634,811)

Schedule of Noncash Transactions:

During the fiscal year, the School entered into a capital lease transaction totaling $25,500.

See accompanying notes to the basic financial statements.

Note 1 – Description of the School and Reporting Entity

Heir Force Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's primary focus is to provide ability-centered education that prepares children for a successful future both academically and socially. The School guides and establishes learning experiences that assist each student in discovering and developing his or her individuality and talents in becoming a mature, responsible, civil and productive member of society. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Educational Service Center of Lake Erie West (the Sponsor) for a period commencing July 7, 2004 to June 30, 2009. The contract has since been amended and is automatically extended or renewed each year, unless terminated or non-renewed based on the terms of the contract. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Governing Board (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the School's instructional/support facility staffed by 11 non-certified and 24 certified teaching personnel who provide services to 242 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School (Note 15).

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School's 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 reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted; matching requirements, in which the School must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code Section 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 Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

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

For the purpose of the statement of cash flows and for the presentation of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents.

F. Capital Assets

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

Note 2 – Summary of Significant Accounting Policies (Continued)

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	10-25 years

G. Estimates

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

H. Intergovernmental Revenue

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

I. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

J. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Position relating to expenses, which are due but unpaid as of June 30, 2018, including (1) wages and benefits payable, consisting of salary and benefit payments made after year-end to instructional and support staff for services rendered prior to year-end, (2) accounts payable, consisting of payments due for services or goods that were rendered or received during fiscal year 2018, and (3) intergovernmental payables, consisting of payments made after year-end for the Schools' share of retirement contributions, Medicare and Workers' Compensation associated with services rendered during the fiscal year.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are explained in Note 8 and Note 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pensions and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Note 8 and Note 9.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Net Position

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

Note 3 – Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the School’s deposits was $548,567, and the bank balance was $571,115. Of the School’s bank balance, $250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized.

The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Note 3 – Deposits (Continued)

1. Eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collaterial System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Note 4 – Intergovernmental Receivables

Receivables at June 30, 2018 consisted of intergovernmental receivables arising from pension system overpayments. All receivables are considered collectable in full.

Note 5 – Capital Assets

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

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
Leasehold Improvements	$ 233,987	$ -	$ -	$ 233,987
Furniture and Equipment	471,471	28,699	-	500,170
Total Capital Assets	705,458	28,699	-	734,157
Less Accumulated Depreciation:				
Leasehold Improvements	(72,362)	(13,490)	-	(85,852)
Furniture and Equipment	(449,019)	(11,212)	-	(460,231)
Total Accumulated Depreciation	(521,381)	(24,702)	-	(546,083)
Net Capital Assets	$ 184,077	$ 3,997	$ -	$ 188,074

Note 6 – Capital Lease

The School has entered into a lease agreement with US Bank for the lease of a copier with accessories. The term of the lease was 60 months and commenced on September 1, 2017, with required payments of $425 per month. Lease payments during the fiscal year totaled $4,675.

Note 6 – Capital Lease (Continued)

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

Year Ended	Copier
June 30, 2019	$ 5,100
June 30, 2020	5,100
June 30, 2021	5,100
June 30, 2022	5,100
June 30, 2023	425
Total	$ 20,825

Note 7 – Operating Leases

The School leases land and school facilities located at 2000 North Cole Street and 150 West Grand from Cornerstone Harvest Church. For fiscal year 2018, the lease agreement contained required payments of $39,822 per month for a total lease expense of $477,864. Staring July 1, 2018, monthly lease payments were reduced to $19,178.

The School has an operating lease with US Bank Corporation for the use of copiers for $679 a month. Payments made for this operating lease totaled $7,887 for the fiscal year.

The following is a schedule of the future minimum payments required under the operating lease for the land and school facilities as of June 30, 2018:

Year Ended	Facilities
June 30, 2019	$ 230,136

The minimum rental payments owed on the contracts mentioned above are not expected to change during the terms of those contracts.

Note 8 – Defined Benefit Plans

Net Pension Liability

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

Note 8 – Defined Benefit Plans (Continued)

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 these estimates annually.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

Note 8 – Defined Benefit Plans (Continued)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.50 percent and .50 percent was allocated to the Health Care Fund.

The School's contractually required pension contribution to SERS was $43,158. The entire amount was paid during the fiscal year.

Plan Description - State Teachers Retirement System (STRS)

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

Note 8 – Defined Benefit Plans (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

Note 8 – Defined Benefit Plans (Continued)

The School's contractually required contribution to STRS was $104,331 for fiscal year 2018. Of this amount, $9,704 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 689,406	$ 1,641,267	$ 2,330,673
Proportion of the Net Pension Liability Current Measurement Date	0.0115386%	0.00690908%	
Proportion of the Net Pension Liability Prior Measurement Date	0.0125647%	0.00673914%	
Change in Proportionate Share	-0.0010261%	0.00016994%	
Pension Expense	$ (50,359)	$ (649,398)	$ (699,757)

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

Note 8 – Defined Benefit Plans (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$29,672	$63,379	$93,051
Changes of assumptions	35,648	358,962	394,610
Difference between School contributions and proportionate share of contributions	11,800	39,890	51,690
School contributions subsequent to the measurement date	43,158	104,331	147,489
Total Deferred Outflows of Resources	$120,278	$566,562	$686,840
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$13,227	$13,227
Difference between School contributions and proportionate share of contributions	78,108	54,162	132,270
Net difference between projected and actual earnings on pension plan investments	3,273	60,617	63,890
Total Deferred Inflows of Resources	$81,381	$128,006	$209,387

$147,489 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$1,854	$55,505	$57,359
2020	7,104	129,187	136,291
2021	(1,154)	110,889	109,735
2022	(12,065)	38,644	26,579
Total	($4,261)	$334,225	$329,964

Note 8 – Defined Benefit Plans (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The most recent experience study was completed for the period ending June 30, 2015.

Note 8 – Defined Benefit Plans (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$956,716	$689,406	$465,479

Note 8 – Defined Benefit Plans (Continued)

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0 percent effective July 1, 2017

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

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

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

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

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

Note 8 – Defined Benefit Plans (Continued)

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	$2,352,700	$1,641,267	$1,041,991

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

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

Note 9 – Defined Benefit OPEB Plans

Net OPEB Liability

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School's surcharge obligation was $4,427.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $6,026 for fiscal year 2018. Of this amount, $4,431 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Note 9 – Defined Benefit OPEB Plans (Continued)

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.0124934%	0.00673914%	
Proportion of the Net OPEB Liability Current Measurement Date	0.0117568%	0.00690908%	
Change in Proportionate Share	-0.0007366%	0.0001699%	
Proportion Share of the Net OPEB Liability	$315,522	$269,567	$585,089
OPEB Expense	$12,229	($80,439)	($68,210)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$15,561	$15,561
Difference between School contributions and proportionate share of contributions	-	7,270	7,270
School contributions subsequent to the measurement date	6,026	-	6,026
Total Deferred Outflows of Resources	$6,026	$22,831	$28,857
Deferred Inflows of Resources			
Changes of assumptions	$29,941	$21,713	$51,654
Net difference between projected and actual earnings on OPEB plan investments	834	11,522	12,356
Difference between School contributions and proportionate share of contributions	15,411	-	15,411
Total Deferred Inflows of Resources	$46,186	$33,235	$79,421

Note 9 – Defined Benefit OPEB Plans (Continued)

$6,026 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($16,640)	($2,601)	($19,241)
2020	(16,640)	(2,601)	(19,241)
2021	(14,038)	(2,601)	(16,639)
2022	1,132	(2,601)	(1,469)
Total	($46,186)	($10,404)	($56,590)

Actuarial Assumptions - SERS

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

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

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

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School's proportionate share of the net OPEB liability	$381,033	$315,522	$263,620

Note 9 – Defined Benefit OPEB Plans (Continued)

	1% Decrease (6.5% decreasing to 4.0 percent)	Current Trend Rate (7.5% decreasing to 5.0 percent)	1% Increase (8.5% decreasing to 6.0 percent)
School's proportionate share of the net OPEB liability	$256,022	$315,522	$394,270

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

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

Note 9 – Defined Benefit OPEB Plans (Continued)

A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School's proportionate share of the net pension liability	$361,889	$269,567	$196,602

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net pension liability	$187,283	$269,567	$377,861

Note 10 - Restricted Net Position

The nature of the School’s net position restrictions at fiscal year-end are as follows:

Description	Amount
Food Service Program	$76,711
Fund Raising Activities	12,127
	$88,838

Note 11 – Risk Management

A. Property and Liability - The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During 2018, the School contracted with Ralph E. Wade Insurance Agency for property and general liability insurance as follows.

Note 11 – Risk Management (Continued)

Commercial General Liability	$	1,000,000
General Aggregate		3,000,000
Automobile Liability		1,000,000
Excess Liability		1,000,000
Directors and Officers Liability		1,000,000
Directors and Officers Aggregate		3,000,000
Umbrella		2,000,000

There was no significant reduction in coverage from the prior year. Settlement amount have not exceeded coverage amounts in each of the past three years.

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

C. Employee Medical and Dental Benefits - The School contracted through independent agents to provide employee medical, dental, and vision insurance to its full-time employees who work 30 or more hours a week. The School pays 80 percent of the monthly premiums for all selected coverage with the remaining coverage paid by the employee.

Note 12 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2018, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform 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 2018 and determined the School was overpaid by $5,010. This amount is reported as intergovernmental payable on the Statement of Net Position.

Note 13 – Purchased Services

Purchased service expenses during the fiscal year were as follows:

Instructional Improvement	$ 2,534
Health Services	24
Management Services	83,700
Legal Services	16,710
Other Professional and Technical Services	102,134
Garbage Removal and Cleaning	5,435
Repairs and Maintenance Services	182,210
Rentals	502,061
Meeting Expenses	2,668
Postage	2,396
Advertising	3,220
Utilities	71,034
Transportation Services	6,644
Other Purchased Services	607
Total	$ 981,377

Note 14 – Related Parties

The School has leased classroom space and an Impact Center from Cornerstone Harvest Church and also pays maintenance costs with the lease of this space. Some members of the Board of Directors of the School are also members of Cornerstone Harvest Church.

Note 15 – Fiscal Agent

Beginning July 1, 2008, the School was a party to a fiscal services agreement with Mangen & Associates (M&A) LLC, which is an education finance consulting company. The Agreement's term was for a twelve-month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provided that M&A will perform treasurer and financial support services.

The School and M&A entered into a new three-year agreement, commencing July 1, 2017 and ending on June 30, 2020 for continued treasurer and financial support services. Payments totaling $83,700 were paid during the year.

Note 15 – Fiscal Agent (Continued)

The following is a summary of the services M&A will provide as Treasurer of the School, M&A

1. **Treasurer of Record**
   a. Signatory to certify availability of funds
   b. Establish appropriate checks and balances
   c. Oversee administration of payroll and payables
   d. Accommodate SERS and STRS filing and payment requirements
   e. Complete all required state and federal reports and financial EMIS data
   f. Plan and implement reserve growth plan and ORC 135 investments
   g. Prepare and oversee budget and long-term financial plan
   h. Ensure adherence to established board policies
   i. Provide equity position updates with budget
   j. Provide ongoing training and support to Director/Board in school funding and accounting
   k. Assistance with accessing and managing all government and private grants

2. **Provide an efficient and effective accounting system**
   a. Use a model purchase requisition, order, invoice, payment process
   b. Certify funds for all contracts and purchases over $500
   c. Process receipts, payables, and payroll through State Software
   d. Secure copy of capital asset and inventory list from School
   e. Present monthly fund balances for each restricted and unrestricted fund
   f. Reconcile all bank statements and USAS reports monthly
   g. Provide monthly, quarterly, mid-year and annual financial information, including ending fund balances for each fund, receipts/disbursements summary, cash flow analysis, and year-to-date budget/actual analysis.

3. **CCIP Grants Management- CCIP (Comprehensive Continuous Improvement Planning) and Competitive Grant Writing and Administration**
   a. Coordinate efforts with Heir Force Community School educational leaders as well as the Treasurer to ensure efficient, effective and proper use of CCIP funds.
   b. Provide District CCIP Plan writing/editing assistance & CCIP budget coordination
   c. Provide ongoing CCIP budget reviews with treasurer
   d. Provide assistance with any CCIP carryover allocations
   e. Provide assistance with compliance/audit (PACTS). Director will be responsible for completing PACTS self-evaluation
   f. Draft Project Cash Requests and Final Expenditure Reports for treasurer approval

Note 16 – Change in Accounting Principles

For fiscal year 2018, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and related guidance from GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

Note 16 – Change in Accounting Principles (Continued)

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	(1,849,498)
Adjustments:	
Net OPEB Liability	(716,518)
Deferred Outflow - Payments Subsequent to Measurement Date	6,629
Restated Net Position June 30, 2017	(2,559,387)

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0115386%	0.0125647%	0.013841%	0.012989%	0.012989%
School's Proportionate Share of the Net Pension Liability	$ 689,406	$ 919,620	$ 789,792	$ 657,365	$ 772,414
School's Covered Payroll	$ 387,360	$ 355,732	$ 451,662	$ 379,571	$ 288,822
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	177.98%	258.51%	174.86%	173.19%	267.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.00690908%	0.00673914%	0.00675211%	0.00725349%	0.00725349%
School's Proportionate Share of the Net Pension Liability	$ 1,641,267	$ 2,255,793	$ 1,866,086	$ 1,764,300	$ 2,101,622
School's Covered Payroll	$ 784,748	$ 721,802	$ 728,335	$ 841,654	$ 776,085
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	209.15%	312.52%	256.21%	209.62%	270.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 43,158	$ 54,230	$ 49,803	$ 59,529	$ 52,609	$ 39,973	$ 30,421	$ 30,008	$ 23,565	$ 10,760
Contributions in Relation to the Contractually Required Contribution	$ 43,158	$ 54,230	$ 49,803	$ 59,529	$ 52,609	$ 39,973	$ 30,421	$ 30,008	$ 23,565	$ 10,760
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 319,685	$ 387,360	$ 355,732	$ 451,662	$ 379,571	$ 288,822	$ 226,178	$ 238,727	$ 174,040	$ 109,350
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 104,331	$ 109,865	$ 101,052	$ 101,967	$ 109,415	$ 100,891	$ 90,715	$ 81,108	$ 74,620	$ 83,427
Contributions in Relation to the Contractually Required Contribution	$ 104,331	$ 109,865	$ 101,052	$ 101,967	$ 109,415	$ 100,891	$ 90,715	$ 81,108	$ 74,620	$ 83,427
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 745,223	$ 784,748	$ 721,802	$ 728,335	$ 841,654	$ 776,085	$ 697,808	$ 623,907	$ 574,000	$ 641,743
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST TWO FISCAL YEARS (1)

	2018	2017
School's Proportion of the Net OPEB Liability	0.0117568%	0.0124934%
School's Proportionate Share of the Net OPEB Liability	$ 315,522	$ 356,107
School's Covered Payroll	$ 387,360	$ 355,732
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.45%	100.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

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

LAST TWO FISCAL YEARS (1)

	2018	2017
School's Proportion of the Net OPEB Liability	0.00690908%	0.00673914%
School's Proportionate Share of the Net OPEB Liability	$ 269,567	$ 360,411
School's Covered Payroll	$ 784,748	$ 721,802
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.35%	49.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution (1)	$ 6,026	$ 6,629	$ 6,574	$ 11,039	$ 4,872	$ 6,393	$ 6,747	$ 6,927	$ 804	$ 6,853
Contributions in Relation to the Contractually Required Contribution	$ 6,026	$ 6,629	$ 6,574	$ 11,039	$ 4,872	$ 6,393	$ 6,747	$ 6,927	$ 804	$ 6,853
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 319,685	$ 387,360	$ 355,732	$ 451,662	$ 379,574	$ 288,822	$ 226,178	$ 238,727	$ 174,040	$ 109,350
OPEB Contributions as a Percentage of Covered Payroll	1.88%	1.71%	1.85%	2.44%	1.28%	2.21%	2.98%	2.90%	0.46%	6.27%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

HEIR FORCE COMMUNITY SCHOOL
ALLEN COUNTY

SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ 7,474	$ 7,761	$ 6,978	$ 6,239	$ 5,740	$ 6,417
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -	$ 7,474	$ 7,761	$ 6,978	$ 6,239	$ 5,740	$ 6,417
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 745,223	$ 784,748	$ 721,802	$ 728,335	$ 841,654	$ 776,085	$ 697,808	$ 623,907	$ 574,000	$ 641,743
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.89%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

Net Pension Liability

School Employees Retirement System

Changes in benefit terms:

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

Changes in assumptions:

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

State Teachers Retirement System

Changes in benefit terms:

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

Changes in assumptions:

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

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

Net OPEB Liability

School Employees Retirement System

Changes in benefit terms:

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

Changes in Assumptions:

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

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

State Teachers Retirement System

Changes in benefit terms:

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

Changes in Assumptions:

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

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

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OHIO AUDITOR OF STATE
KEITH FABER

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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*

Heir Force Community School
Allen County
150 West Grand Avenue
Lima, Ohio 45801

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 Heir Force Community School, Allen County, (the School) as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School 's basic financial statements and have issued our report thereon dated March 31, 2020, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER

HEIR FORCE COMMUNITY SCHOOL

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2020

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