The Graham School
Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
The Graham School
3950 Indianola Avenue
Columbus, Ohio 43214

We have reviewed the *Independent Auditor's Report* of The Graham School, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2020

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THE GRAHAM SCHOOL
Franklin County, Ohio
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December 27, 2019

To the Board of Directors
The Graham School
Franklin County, Ohio
3950 Indianola Avenue
Columbus, OH 43214

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Graham School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the accompanying schedule of management company expenses presented as supplementary information for the year ended June 30, 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the supplemental information referred to above presents fairly, in all material respects, the management expenses incurred by the Graham School on behalf of other schools for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United State of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As disclosed in Note 19 to the financial statements, the School has previously suffered recurring losses from operations and has a net position deficit of $10,629,315 that raises substantial doubt about its ability to continue as a going concern. This deficit net position includes the effect of the net pension liability, net OPEB asset/liability, and related accruals totaling $8,835,055. Note 19 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Dublin, Ohio

Our discussion and analysis of The Graham School (TGS) financial performance provides an overall review of TGS' financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at TGS' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the TGS' financial performance.

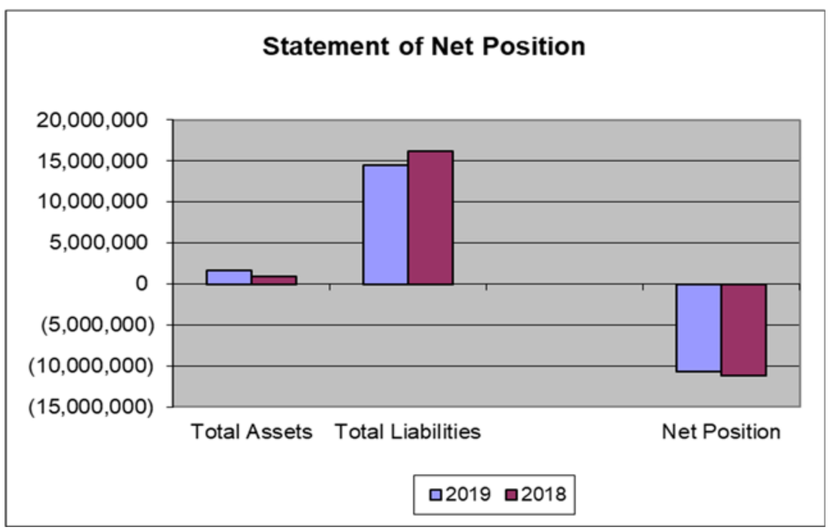
The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain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

FINANCIAL HIGHLIGHTS -

Key Financial Highlights for TGS for the fiscal year 2019 are as follows:

- In total, net position increased $604,406, which represents a 5 percent increase from 2018.
- Total assets increased $722,894 which represents a 75 percent increase from 2018.
- Liabilities decreased $1,659,080 which represents a 10 percent decrease from 2018.

USING THIS ANNUAL REPORT



This report consists of required supplementary information, the basic financial statements, notes to the basic financial statements and notes to the required supplementary information. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how TGS did financially during fiscal year 2019. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

TGS uses enterprise presentation for all of its activities.

Table 1 provides a summary of TGS' net position for fiscal years 2019 and 2018.

Table 1
Statement of Net Position

	2019	2018	Change
Assets			
Current Assets	$ 158,186	$ 120,233	37,953
Net OPEB Asset	666,173	0	666,173
Capital Assets, Net	866,529	847,761	18,768
Total Assets	1,690,888	967,994	722,894
Deferred Outflows of Resources			
Pension & OPEB	3,969,134	4,682,588	(713,454)
Liabilities			
Current Liabilities	1,755,086	1,571,757	183,329
Long Term Liabilities	12,773,142	14,615,551	(1,842,409)
Total Liabilities	14,528,228	16,187,308	(1,659,080)
Deferred Inflows of Resources			
Pension & OPEB	1,761,109	696,995	1,064,114
Net Position			
Net Investment in Capital Assets	(219,215)	(260,040)	40,825
Unrestricted	(10,410,100)	(10,973,681)	563,581
Total Net Position	$ (10,629,315)	$ (11,233,721)	$ 604,406

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2019, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of these assets/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. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2019 that is allocated to each school based on its proportionate share. 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 reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

At fiscal year end, capital assets represented 51 percent of total assets. Capital assets include land, buildings, improvements and furniture and equipment. Net investment in capital assets was a deficit of $219,215 at June 30, 2019. These capital assets are used to provide services to students and are not available for future spending. Although TGS' investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

The decrease in long-term liabilities is due to decreases in net pension/OPEB liabilities as discussed above, coupled with principal payments on the capital lease and notes payable. These decreases were only partially offset by the inception of a capital lease. Current liabilities increased primarily in accounts payable from monies owed to TCS and GEMS.

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Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in net position for fiscal years 2019 and 2018, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader whether, for TGS as a whole, the financial position of TGS has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Table 2
Change in Net Position

	2019	2018	Change
Operating Revenue			
State Aid	$ 2,090,756	$ 2,225,640	(134,884)
Casino Aid	12,533	12,671	(138)
Facilities Aid	47,165	47,165	0
Classroom Materials & Fees	8,226	8,905	(679)
Services to Schools	5,593,942	5,314,899	279,043
Other Operating Revenues	65,242	28,826	36,416
Non-Operating Revenue			
Grants – Federal	514,710	274,957	239,753
Interest Income	6,361	405	5,956
Contributions and Donations	373,510	84,049	289,461
Total Revenues	8,712,445	7,997,517	714,928
Operating Expenses			
Salaries	5,990,914	5,746,990	243,924
Fringe Benefits	1,158,130	(2,783,747)	3,941,877
Purchased Services	677,213	718,625	(41,412)
Materials and Supplies	125,451	75,488	49,963
Depreciation Expense	56,543	60,954	(4,411)
Other Operating Expense	64,331	81,618	(17,287)
Non-Operating Expenses			
Loss on Sale of Assets	21,428	0	21,428
Interest and Fiscal Charges	14,029	40,429	(26,400)
Total Expenses	8,108,039	3,940,357	4,167,682
Increase (Decrease) in Net Position	604,406	4,057,160	(3,452,754)
Net Position at Beginning of Year	(11,233,721)	(15,290,881)	4,057,160
Net Position at End of Year	$ (10,629,315)	$ (11,233,721)	$ 604,406

Fringe benefits increased significantly. The changes in fringe benefits are primarily associated to changes in the School's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

TGS saw an increase in federal grant revenue received as a result of the School Quality Improvement grant, which is a competitive grant, not based on enrollment. This, coupled with an increase in contributions and donations as a result of TGS' fundraising efforts caused an increase in non-operating revenues for fiscal year 2019. See notes 16 and 17 for more information regarding the increase in services provided to schools revenue

CAPITAL ASSETS

TGS has $866,529 invested in capital assets, net of accumulated depreciation. Detailed information regarding capital asset activity is included in the Note 5 to the basic financial statements.

DEBT OBLIGATIONS

TGS has long-term debt obligation of $1,085,744 at June 30, 2019, of which $21,855 is current. Note 12 to the basic financial statements summarize all of the TGS' debt obligations at June 30, 2019.

OTHER INFORMATION

For the Future

TGS has extensive fundraising activities and receives donations to assist in financing its operations; this practice is expected to continue. TGS is also continuing to fund additional schools including the Charles School at Ohio Dominican University and Graham Elementary and Middle School (GEMS). It is planned that income derived from running both schools will be used to reduce the debt of TGS. Also, the financial outlook over the next several years shows continued growth in enrollment at TGS as well. But, future revenue increases are cautious due historic levels of enrollment at TGS. Currently, TGS is experiencing financial difficulty. See Note 19 for further information.

CONTACTING THE GRAHAM SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of TGS' finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Jennifer Smith of The Graham School, 3950 Indianola Avenue, Columbus, Ohio 43214 or e-mail at jsmith.1@mail.thegrahamschool.org.

The Graham School
Franklin County, Ohio
Statement of Net Position
June 30, 2019

Assets	
Current Assets:	
Cash and Investments	$ 32,198
Beneficial Interest in Assets Held By Others	20,861
Accounts Receivable	12,114
Intergovernmental Receivable	93,013
Total Current Assets	158,186
Noncurrent Assets:	
Net OPEB Asset	666,173
Capital Assets:	
Non-Depreciable Capital Assets	141,800
Depreciable Capital Assets, net	724,729
Total Noncurrent Assets	1,532,702
Total Assets	1,690,888
Deferred Outflows of Resources	
Deferred Outflows - Pension	3,724,615
Deferred Outflows - OPEB	244,519
Total Deferred Outflows of Resources	3,969,134
Liabilities	
Current Liabilities:	
Accounts Payable	838,899
Accrued Wages and Benefits	890,769
Intergovernmental Payable	3,563
Capital Lease Payable	20,111
Notes Payable	1,744
Total Current Liabilities	1,755,086
Long-Term Liabilities:	
Net Pension Liability	10,912,699
Net OPEB Liability	796,554
Notes Payable	985,281
Capital Lease Payable	78,608
Total Long-Term Liabilities	12,773,142
Total Liabilities	14,528,228
Deferred Inflows of Resources	
Deferred Inflows - Pension	665,718
Deferred Inflows - OPEB	1,095,391
Total Deferred Inflows of Resources	1,761,109
Net Position	
Net Investment in Capital Assets	(219,215)
Unrestricted	(10,410,100)
Total Net Position	$ (10,629,315)

See accompanying notes to the basic financial statements.

The Graham School
Franklin County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

Operating Revenues		
State Aid	$	2,090,756
Casino Aid		12,533
Facilities Aid		47,165
Classroom Fees		8,226
Services to Schools		5,593,942
Other Operating		65,242
Total Operating Revenues		7,817,864
Operating Expenses		
Salaries		5,990,914
Fringe Benefits		1,158,130
Purchased Services		677,213
Materials and Supplies		125,451
Depreciation		56,543
Other		64,331
Total Operating Expenses		8,072,582
Operating Income/(Loss)		(254,718)
Non-Operating Revenues (Expenses)		
Grants		514,710
Contributions & Donations		373,510
Investment Income		6,361
Loss on Sale of Capital Assets		(21,428)
Interest and Fiscal Charges		(14,029)
Total Non-Operating Revenues (Expenses)		859,124
Change in Net Position		604,406
Net Position Beginning of Year		(11,233,721)
Net Position End of Year	$	(10,629,315)

See accompanying notes to the basic financial statements.

The Graham School
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Increase (Decrease) in Cash and Investments		
Cash Flows from Operating Activities		
Cash Received from State of Ohio	$	2,145,096
Cash Received from Other Operating Sources		5,861,149
Cash Payments to Suppliers for Goods and Services		(735,408)
Cash Payments to Employees for Services		(5,959,172)
Cash Payments for Employee Benefits		(1,954,487)
Other Cash Payments		(64,331)
Net Cash Used for Operating Activities		(707,153)
Cash Flows from Noncapital Financing Activities		
Cash Received from Grants		433,751
Cash Received from Contributions and Donations		294,588
Net Cash Provided by Noncapital Financing Activities		728,339
Cash Flows from Capital and Related Financing Activities		
Cash Payments for Capital Assets		7,439
Cash Received from Contributions and Donations		66,730
Other Capital Related Expenses		(21,428)
Cash Payments for Interest and Fiscal Charges		(11,439)
Cash Payments for Principal Payments		(125,629)
Net Cash Used for Capital Financing Activities		(84,327)
Cash Flows from Investing Activities		
Investment Income		6,071
Net Decrease in Cash and Investments		(57,070)
Cash and Investments Beginning of Year		89,268
Cash and Investments End of Year	$	32,198
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities		
Operating Income (Loss)	$	(254,718)
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Depreciation		56,543
Changes in Assets and Liabilities and Deferred Inflows/Outflows of Resources		
Accounts Receivable		(12,114)
Intergovernmental Receivable		28,764
Net OPEB Asset		(666,173)
Deferred Outflows of Resources - Pension/OPEB		713,454
Accounts Payable		256,206
Accrued Wages and Benefits		39,432
Intergovernmental Payable		(135)
Net Pension/OPEB Liability		(1,932,526)
Deferred Inflows of Resources - Pension/OPEB		1,064,114
Net Cash Used for Operating Activities	$	(707,153)

Non-Cash Capital and Related Financing Activities

Contributions were received from TCS and GEMS for debt service on copiers in the amount of $12,193, of which $9,602 is related to principal payments.

TGS entered into a capital lease agreement for copiers in the amount of $113,174.

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE REPORTING ENTITY

The Graham School (TGS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TGS is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TGS' tax-exempt status. TGS' objective is to use the Columbus community to form partnerships for student learning. Individualized programs are used to meet students' needs. Parents and students are included in all decision-making. TGS, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. TGS may acquire facilities as needed and contract for any services necessary for its operation.

TGS was approved for operation under a contract with the Delaware-Union Educational Service Center (the Sponsor) for a period of one year commencing July 1, 2008. A new one year contract was approved commencing July 1, 2009. The Sponsor is responsible for evaluating the performance of TGS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

On January 1, 2009, the Sponsor merged with the Franklin County Service Center. The surviving organization, the Educational Service Center of Central Ohio, acknowledges its obligations under the existing contract between the Sponsor and TGS, and expects to honor provisions contained therein, as documented in the Memorandum of Understanding dated January 3, 2009. The contract ran through July 2014 and has been renewed again through June 30, 2021.

TGS operates under the direction of a seven-member governing board. Most of the members who sit on the TGS board also serve on the Board of the Charles School at Ohio Dominican University, (TCS). The governing 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 TGS and TCS instructional/support facilities staffed by non-certified and certificated full time personnel who provide services to students at TGS, TCS, and Graham Elementary and Middle School (GEMS).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of TGS have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of TGS's accounting policies.

A. Basis of Presentation

TGS uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in Net Position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between TGS and its Sponsor does not require TGS to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

D. Cash and Investments

All cash received by the TGS is deposited in accounts in the TGS' name and reflected as Cash and Investments on the Statement of Net Position.

Investments with a maturity of three months or less at the time they are purchased by TGS are considered to be cash equivalents.

E. Prepaid Items

TGS records payments made to vendors for services that will benefit future periods using the consumption method. No prepaid items were recorded at June 30, 2019. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. TGS' capitalization threshold is one thousand dollars.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land are depreciated. Depreciation of furniture and equipment is computed using the straight–line method over an estimated life of five years. Improvements to capital assets are depreciated over five to fifteen years. Buildings are depreciated over forty years.

G. Intergovernmental Revenues

TGS currently participates in the state's foundation facilities aid and casino tax programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable. Funding from these programs is listed as "State Aid", "Facilities Aid" and "Casino Aid" on the Statement of Revenues, Expenses, and Changes in Net Position.

Restricted grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Resources received prior to the period of use are deferred.

H. Net Position

Net Position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net Position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by TGS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2019, TGS had no net position restricted for enabling legislation.

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

I. Operating Revenues and Expenses

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

J. Estimates

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

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For TGS, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For TGS, deferred inflows of resources include pension and OPEB, which are reported on the statement of net position. (See Notes 7 and 8).

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

Deposits: TGS' bank balance totaled $80,088. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2019, all of TGS' bank balance was covered by Federal Deposit Insurance.

Protection of TGS' deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral 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.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, TGS will not be able to recover deposits or collateral securities that are in possession of an outside party.

B. Investments

TGS has received donations in the form of equity stock.

The investment banker, Morgan Stanley Smith Barney, LLC holds the investment. The carrying value of the equity stock is recorded at its fair market value at June 30, 2019. TGS is exposed to market and custodial risk on this investment to the extent of the value of the equity stock, and any undistributed earnings.

Rating	Investment Type	Measurement Amount	Maturity 0 - 12 Months	Percent of Total
N/A	Morgan Stanley Securities	$ 13,271	$ 13,271	100.00%

TGS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School's recurring fair value measurements as of June 30, 2019. All investments of TGS are valued using quoted market prices (Level 1 inputs).

4. RECEIVABLES

At June 30, 2019, TGS had accounts and intergovernmental receivables in the amount of $12,114 and $93,013, respectively. Intergovernmental receivables are amounts due from ODE related to federal grants and state aid and accounts consisted of miscellaneous revenues. All receivables are expected to be collected within one year.

5. CAPITAL ASSETS

At June 30, 2019, the following table represents TGS' changes in capital assets. Capital assets are considered depreciable, except for land.

	Balance 6/30/2018	Additions	Disposals	Balance 6/30/2019
Capital Assets Not Being Depreciated				
Land	$ 141,800	$ 0	$ 0	$ 141,800
Capital Assets Being Depreciated				
Building	1,108,200	0	0	1,108,200
Improvements	770,677	0	0	770,677
Furniture and Equipment	355,288	120,613	(100,670)	375,231
Total Capital Assets Being Depreciated	2,234,165	120,613	(100,670)	2,254,108
Accumulated Depreciation				
Building	(470,575)	(27,705)	0	(498,280)
Improvements	(770,677)	0	0	(770,677)
Furniture and Equipment	(286,952)	(28,838)	55,368	(260,422)
Total Accumulated Depreciation	(1,528,204)	(56,543)	55,368	(1,529,379)
Total Capital Assets Being Depreciated	705,961	64,070	(45,302)	724,729
Capital Assets, Net	$ 847,761	$ 64,070	$ (45,302)	$ 866,529

6. RISK MANAGEMENT

A. Insurance Coverage

TGS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2019, TGS contracted with the Philadelphia Insurance Co.:

Commercial General Liability per Occurrence	$	1,000,000
Commercial General Liability Aggregate		2,000,000
Umbrella Liability per Occurence		6,000,000
Umbrella Liability Aggregate		6,000,000
Automobile Liability Ccombined Single Limit		1,000,000
Commercial Property Liability - Personal Property ($1,000 Deductible)		25,600
Excess Volunteer Liability per Occurrence		1,000,000
Excess Volunteer Liability Aggregate		3,000,000

Settled Claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

B. Workers' Compensation

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

C. Employee Medical, Dental and Vision Benefits

TGS has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full-time employees who work 40 or more hours per week.

7. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and TGS 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 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

TGS's contractually required contribution to SERS was $143,301 for fiscal year 2019. Of this amount, $9,345 is reported as an accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 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. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and 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. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. TGS 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.

TGS's contractually required contribution to STRS was $687,307 for fiscal year 2019. Of this amount, $95,215 is reported as an accrued wages and benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. TGS's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03138040%	0.04145710%	
Prior Measurement Date	0.03029110%	0.04006600%	
Change in Proportionate Share	0.00108930%	0.00139110%	
Proportionate Share of the Net Pension Liability	$ 1,797,214	$ 9,115,485	$ 10,912,699
Pension Expense	$ 190,422	$ 1,208,232	$ 1,398,654

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 98,563	$ 210,414	$ 308,977
Changes of Assumptions	40,585	1,615,435	1,656,020
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions	109,428	819,582	929,010
TGS Contributions Subsequent to the Measurement Date	143,301	687,307	830,608
Total Deferred Outflows of Resources	$ 391,877	$ 3,332,738	$ 3,724,615
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 59,530	$ 59,530
Net Difference between Projected and Actual Earnings on Pension Plan Investments	49,796	552,754	602,550
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions	3,638	0	3,638
Total Deferred Inflows of Resources	$ 53,434	$ 612,284	$ 665,718

$830,608 reported as deferred outflows of resources related to pension resulting from TGS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal 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	$ 201,250	$ 1,126,511	$ 1,327,761
2021	68,143	762,686	830,829
2022	(58,980)	211,506	152,526
2023	(15,271)	(67,556)	(82,827)
	$ 195,142	$ 2,033,147	$ 2,228,289

Actuarial Assumptions - SERS

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

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

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

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

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

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

Discount Rate 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 that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of TGS'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 TGS's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what TGS'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	Current Discount Rate	1% Increase
TGS's Proportionate Share of the Net Pension Liability	$ 2,531,511	$ 1,797,214	$ 1,181,554

Actuarial Assumptions - STRS

The total pension liability in the July 1, 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
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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 %	

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 payments to determine the total pension liability as of June 30, 2018.

Sensitivity of TGS's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents TGS's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what TGS's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
TGS's Proportionate Share of the Net Pension Liability	$ 13,311,967	$ 9,115,485	$ 5,563,734

8. DEFINED BENEFIT OPEB PLANS

Net OPEB Asset/Liability

The net OPEB asset/liability reported on the statement of net position represents an asset or 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 TGS'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 GS's obligation for this liability to annually required payments. TGS cannot control benefit terms or the manner in which OPEB are financed; however, TGS does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the asset/liability is solely that 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*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *accrued wages and benefits*.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 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 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, TGS's surcharge obligation was $1,933.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. TGS's contractually required contribution to SERS was $7,240 for fiscal year 2019. Of this amount $2,279 is reported as an accrued wages and benefits 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.

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

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. TGS's proportion of the net OPEB asset/liability was based on TGS'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:			
Current Measurement Date	0.02871220%	0.04145710%	
Prior Measurement Date	0.02798010%	0.04006600%	
Change in Proportionate Share	0.00073210%	0.00139110%	
Proportionate Share of the Net OPEB Liability/(Asset)	$ 796,554	$ (666,173)	$ 130,381
OPEB Expense	$ 40,705	$ (1,422,642)	$ (1,381,937)

At June 30, 2019, TGS 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	$ 13,003	$ 77,810	$ 90,813
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions	26,596	119,870	146,466
TGS Contributions Subsequent to the Measurement Date	7,240	0	7,240
Total Deferred Outflows of Resources	$ 46,839	$ 197,680	$ 244,519
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 38,813	$ 38,813
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,195	76,105	77,300
Changes of Assumptions	71,564	907,714	979,278
Total Deferred Inflows of Resources	$ 72,759	$ 1,022,632	$ 1,095,391

$7,240 reported as deferred outflows of resources related to OPEB resulting from TGS 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (17,258)	$ (146,838)	$ (164,096)
2021	(13,370)	(146,838)	(160,208)
2022	(1,068)	(146,838)	(147,906)
2023	(561)	(129,555)	(130,116)
2024	(643)	(123,488)	(124,131)
Thereafter	(260)	(131,395)	(131,655)
	$ (33,160)	$ (824,952)	$ (858,112)

Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

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 investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

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

The long-term expected rate of return on plan 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 long-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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	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 contribution rate of 2.00 percent of projected covered 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, 2026. 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, 2025 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 TGS's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability	$ 966,556	$ 796,554	$ 661,945

	1% Decrease	Current Trend Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability	$ 642,673	$ 796,554	$ 1,000,320

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:

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
Health Care Cost Trend Rates	-5.23 percent to 9.62 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:

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 %	

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's 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 health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Sensitivity of TGS's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/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 liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability/(Asset)	$ (570,973)	$ (666,173)	$ (746,185)

	1% Decrease	Current Trend Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability/(Asset)	$ (741,668)	$ (666,173)	$ (589,503)

9. CONTINGENCIES

A. Grants

TGS receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TGS at June 30, 2019.

B. Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The 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 has not performed such a review for fiscal year 2019 as of the date of this report.

As of the date of this report, all ODE adjustments have been completed.

In addition, TGS' contract with its Sponsor requires payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2019 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

C. Litigation

There are currently no matters in litigation with TGS as defendant.

10. CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2019, TGS entered into a lease agreement for three copiers, replacing the existing lease with Modern Leasing. TGS made principal payments of $60,470 on the previous lease. Proceeds were received from Mid-Ohio Leasing to retire the previous lease agreement in full during the current year. Monthly payments on the new lease agreement are $2,039 per month at an interest rate of 4.869 percent. Capital assets of $113,174 have been recorded, which represents the present value of the minimum lease payments at time of acquisition. Net book value of the copiers is $96,198 at June 30, 2019.

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

Fiscal Year Ending	Copiers
2020	$ 24,473
2021	24,473
2022	24,473
2023	24,473
2024	12,236
Total minimum Lease Payments	$ 110,127
Less: amount representing interest	(11,408)
Present value of minumum lease payments	$ 98,719

11. ACCOUNTS PAYABLE

Accounts payable consists of obligations at June 30, 2019 incurred during the normal course of conducting operations, including amounts due to TCS and GEMS.

12. DEBT AND LONG-TERM OBLIGATIONS

The changes in TGS' long-term obligations during the year consist of the following:

	Outstanding 6/30/18	Additions	Reductions	Outstanding 6/30/2019	Amounts Due in One Year
Direct Borrowing:					
Dantomka Ltd.	$ 425,249	$ 0	$ 26,900	$ 398,349	$ 851
Dantomka Ltd.	622,082	0	33,406	588,676	893
Total Direct Borrowing	1,047,331	0	60,306	987,025	1,744
Capital Leases - Copiers	60,470	113,174	74,925	98,719	20,111
Net Pension Liability	11,327,590	0	414,891	10,912,699	0
Net OPEB Liability	2,314,189	0	1,517,635	796,554	0
Total Governmental Activities Long-Term Liabilities	$ 14,749,580	$ 113,174	$ 2,067,757	$ 12,794,997	$ 21,855

In November 2011, TGS entered into a new mortgage promissory note agreement with Dantomka, Ltd. in the amount of $542,224 for a 15 year term at an interest rate of 2.5% annually. Monthly payments on the note are $900 and will increase to $4,645 during fiscal year 2022. Total interest paid during fiscal year 2019 was $10,044.

In November 2011, TGS entered into a new mortgage promissory note agreement with Eileen Meers in the amount of $1,100,881 for a 15 year term at an interest rate of 2.5% annually. The note was subsequently assigned to Dantomka, Ltd. Monthly payments on the note are $1,300 and will increase to $6,876 in fiscal year 2022. Payments will then remain at that amount until the end of the term. Total interest paid during fiscal year 2019 was $14,840.

Effective April 8, 2003, Ohio Revised Code Section 3314.08 (J) (1) (b) was amended, in part, to permit facilities acquisition debt with a maturity not exceeding fifteen years. All current notes comply with this provision of the revised code.

In the event of default, as defined by the mortgage agreements for both of the Dantomka Ltd. mortgages, the amounts payable by TGS may become due. If payments are not made, the lender may take possession of and sell the mortgaged property.

The annual requirements to retire all outstanding long-term obligations (excluding capital leases) as of June 30, 2019, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	1,744	24,656	26,400
2021	1,788	24,612	26,400
2022	58,050	24,274	82,324
2023	116,441	21,808	138,249
2024	119,386	18,863	138,249
2025-2029	643,771	47,474	691,245
2030	45,845	238	46,083
Total	$ 987,025	$ 161,925	$ 1,148,950

13. RELATED PARTY TRANSACTION

Dantomka, Ltd. is a limited liability corporation, which is a general partner of DK Services. Eileen Meers, who serves as the Dean of Academics and is the developer of TGS, also serves as the president of DK Services and a general partner of Dantomka, Ltd. Note disclosure 12 details the terms and payment arrangements of the notes.

14. SPONSOR

On May 13, 2014, a sponsorship agreement was executed between TGS and the Educational Service Center of Central Ohio for a two (2) year period beginning July 1, 2014. In July 2014, the contract was extended for three years through June 2017. Additional two year extensions extended this contract through June 30, 2019 and most currently, through June 30, 2021. Under this agreement, TGS pays the Sponsor "up to" 3% of State Aid (see Note 2.). TGS sponsor fee expense at June 30, 2019 totaled $49,977.

15. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Columbus Foundation holds in trust a money market account valued at $20,861 at June 30, 2019. The account is a designated fund which is to be used for the renovation of TGS' property. The investment is not held in TGS' name. In the event all assets are not required to renovate the property, any remaining assets may be used for its operating needs. TGS received interest earnings of $415 from the fund in fiscal year 2019.

16. MANAGEMENT AGREEMENT WITH THE CHARLES SCHOOL (TCS)

Effective July 1, 2007, TGS entered into a Management Agreement (the Agreement) with TCS. The Agreement was subsequently renewed and modified though June 2014. Since June of 2014, the Board has approved another one year renewal annually. Per the contract, TGS receives a base fee of three (3) percent of TCS' state foundation, and reimbursement of all direct costs for expenses incurred under the Federal Title program. TGS also receives up to ninety-five (95) percent of TCS' federal and state awards, after a minimum of five (5) percent is spent by TCS to pay its direct expenses. TCS management fee expense for the fiscal year total $2,422,851, as reported in the Statement of Revenues, Expenses and Changes in Net Position. Of this fee, $1,922,015 was for general fund related fees and $420,988 was for grant related reimbursements. The remainder of the expense was for base licensing fees in the amount of $79,850.

17. MANAGEMENT AGREEMENT WITH GRAHAM ELEMENTARY AND MIDDLE SCHOOL (GEMS)

Effective July 1, 2015, the School entered into a one year Management Agreement (the Agreement) with TGS. The Agreement has been renewed for an additional one year term through June 30, 2019. Per the contract, TGS receives a base fee of three (3) percent of GEMS' state foundation, and reimbursement of all direct costs for expenses incurred under the Federal Title programs. TGS also receives ninety-five (95) percent of GEMS' remaining revenues after the School pays its direct expenses. The School management fee expense for the fiscal year total $3,166,794, as reported in the Statement of Revenues, Expenses and Changes in Fund Net Position. Of this fee, $2,739,151 was for general fund related fees, and $314,313 was for grant related reimbursements. The remainder of the expense was for base licensing fees in the amount of $113,330.

18. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2019, TGS has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of TGS.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the TGS' fiscal year 2019 financial statements; however, there was no effect on beginning net position.

19. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

At June 30, 2019, TGS had ending net position of $(10,629,315), including the impact of GASB 68 and 75. Without the impact of GASB 68 and GASB 75, the School's net position is $(1,794,260). To address the issue of the deficit in net position, TGS is engaged in a variety of activities. Staffing and payroll costs are reviewed several times each year to be sure they are reasonable and necessary. TGS also reviews student counts monthly and meetings between management and the Board are held monthly to discuss TGS' financial health and cash balance. As a result of these measures, spending cuts will be implemented if necessary. Enrollment sessions are held throughout the year at TGS and its affiliate schools to actively recruit and enroll students throughout the year. The increased enrollment from the affiliate schools will increase revenues to TGS to reduce the deficit. Lastly, TGS is active in fund raising and grant writing to help supplement its programs.

20. TAX EXEMPT STATUS

TGS was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect TGS's tax exempt status.

21. JOINTLY GOVERNED ORGANIZATION

META Solutions

Effective July 1, 2017, TGS became a participant in META (Metropolitan Educational Technology Association) Solutions. META Solutions is an association of public school districts throughout Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META Solutions consists of the superintendent from 11 member districts. Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

22. SUBSEQUENT EVENT

Subsequent to year end, management contracts with TCS and GEMS schools were renewed for an additional one-year period ending June 30, 2020. The contract with TGS's sponsor was extended through June 30, 2021. In addition, the outstanding balance on a direct borrowing from Dantomka Ltd has been forgiven as of December 11, 2019. This will be recognized as a contribution in the amount of $586,930 for fiscal year 2020.

The Graham School
Franklin County, Ohio
Supplementary Information
Schedule of Management Company Expenses

For the fiscal year ended June 30, 2019, TGS incurred the following expenses on-behalf of TCS and GEMS:

Expenses	GEMS	TCS
Direct Expenses:		
Salaries & Wages		
Regular Instruction	$ 1,229,103	$ 887,280
Special Instruction	0	178,689
Other Instruction	337,321	0
Support Services	443,901	498,994
Employees' Benefits		
Regular Instruction	435,202	289,726
Special Instruction	0	58,348
Other Instruction	116,439	0
Support Services	157,177	162,938
Overhead		
Support Services	603,130	472,236
Total Expenses	$ 3,322,273	$ 2,548,211

Management uses enterprise accounting to maintain its financial records during the fiscal year. Overhead charges are assigned to TCS and GEMS based on a percentage of full-time equivalent student enrollment. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

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The Graham School
Franklin County, Ohio
Required Supplementary Information
Schedule of the TGS' Proportionate Share of the Net Pension Liability
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)						
TGS' Proportion of the Net Pension Liability	0.03138040%	0.03029110%	0.02839550%	0.02708810%	0.02906700%	0.02906700%
TGS' Proportionate Share of the Net Pension Liability	$ 1,797,214	$ 1,809,826	$ 2,078,289	$ 1,545,673	$ 1,471,064	$ 1,728,521
TGS' Covered Payroll	$ 1,011,948	$ 1,031,357	$ 1,006,286	$ 1,117,489	$ 824,235	$ 944,566
TGS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	177.60%	175.48%	206.53%	138.32%	178.48%	183.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)						
TGS' Proportion of the Net Pension Liability	0.04145710%	0.04006600%	0.03822579%	0.03655546%	0.03467255%	0.03467255%
TGS' Proportionate Share of the Net Pension Liability	$ 9,115,485	$ 9,517,764	$ 12,795,324	$ 10,102,860	$ 8,433,564	$ 10,046,006
TGS' Covered Payroll	$ 4,712,971	$ 4,404,764	$ 3,996,086	$ 4,090,329	$ 3,811,400	$ 3,196,300
TGS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.41%	216.08%	320.20%	246.99%	221.27%	314.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

The Graham School
Franklin County, Ohio
Required Supplementary Information
Schedule of the TGS' Contributions - Pension
Last Ten Fiscal Years

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 143,301	$ 136,613	$ 144,390	$ 140,880
Contributions in Relation to the Contractually Required Contribution	(143,301)	(136,613)	(144,390)	(140,880)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS's Covered Payroll	$ 1,061,489	$ 1,011,948	$ 1,031,357	$ 1,006,286
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 687,307	$ 659,816	$ 616,667	$ 559,452
Contributions in Relation to the Contractually Required Contribution	(687,307)	(659,816)	(616,667)	(559,452)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS's Covered Payroll	$ 4,909,336	$ 4,712,971	$ 4,404,764	$ 3,996,086
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 147,285	$ 114,239	$ 130,728	$ 125,002	$ 7,458	$ 104,577
(147,285)	(114,239)	(130,728)	(125,002)	(7,458)	(104,577)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 1,117,489	$ 824,235	$ 944,566	$ 929,383	$ 59,332	$ 772,356
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
$ 572,646	$ 495,482	$ 415,519	$ 260,618	$ 285,926	$ 200,224
(572,646)	(495,482)	(415,519)	(260,618)	(285,926)	(200,224)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,090,329	$ 3,811,400	$ 3,196,300	$ 2,004,754	$ 2,199,431	$ 1,540,185
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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The Graham School
Franklin County, Ohio
Required Supplementary Information
Schedule of the TGS' Proportionate Share of the Net OPEB Liability/(Asset)
Last Three Fiscal Years (1)

	2019	2018	2017
School Employees Retirement System (SERS)			
TGS' Proportion of the Net OPEB Liability	0.02871220%	0.02798010%	0.02624012%
TGS' Proportionate Share of the Net OPEB Liability	$ 796,554	$ 750,912	$ 747,940
TGS' Covered Payroll	$ 1,011,948	$ 1,031,357	$ 1,006,286
TGS' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.71%	72.81%	74.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)			
TGS's Proportion of the Net OPEB Liability/(Asset)	0.04145710%	0.04006600%	0.03822579%
TGS's Proportionate Share of the Net OPEB Liability/(Asset)	$ (666,173)	$ 1,563,277	$ 2,044,325
TGS's Covered Payroll	$ 4,712,971	$ 4,404,764	$ 3,996,086
TGS's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.13%	35.49%	51.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

The Graham School
Franklin County, Ohio
Required Supplementary Information
Schedule of the TGS' Contributions - OPEB
Last Ten Fiscal Years

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 7,240	$ 6,701	$ 2,491	$ 2,399
Contributions in Relation to the Contractually Required Contribution	(7,240)	(6,701)	(2,491)	(2,399)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS' Covered Payroll	$ 1,061,489	$ 1,011,948	$ 1,031,357	$ 1,006,286
OPEB Contributions as a Percentage of Covered Payroll (1)	0.68%	0.66%	0.24%	0.24%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS' Covered Payroll	$ 4,909,336	$ 4,712,971	$ 4,404,764	$ 3,996,086
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 11,537	$ 6,499	$ 12,574	$ 14,645	$ 17,575	$ 11,716
(11,537)	(6,499)	(12,574)	(14,645)	(17,575)	(11,716)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 1,117,489	$ 824,235	$ 944,566	$ 929,383	$ 59,332	$ 772,356
1.03%	0.79%	1.33%	1.58%	29.62%	1.52%
$ 0	$ 38,114	$ 31,963	$ 20,048	$ 21,994	$ 15,402
0	(38,114)	(31,963)	(20,048)	(21,994)	(15,402)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,090,329	$ 3,811,400	$ 3,196,300	$ 2,004,754	$ 2,199,431	$ 1,540,185
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

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

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Liability/(Asset)

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62

percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare		
	Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent
	Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Medicare		
	Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent
	Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS

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

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

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December 27, 2019

To the Board of Directors
The Graham School
Franklin County, Ohio
3950 Indianola Avenue
Columbus, OH 43214

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Graham School, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as well as the accompanying schedule of management company expenses presented as supplementary information, and have issued our report thereon dated December 27, 2019, in which we noted the School has suffered recurring losses from operations and has a net position deficit of $10,629,315, including the effect of net pension liability, net OPEB asset/liability, and related accruals totaling $8,835,055, that raises substantial doubt about its ability to continue as a going concern.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Dublin, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

THE GRAHAM SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 6, 2020