Rea & associates a brighter way

THE GRAHAM SCHOOL
FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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, 2019 through June 30, 2020. 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

February 06, 2021

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THE GRAHAM SCHOOL
Franklin County, Ohio
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December 28, 2020

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 (TGS), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise TGS'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, 2020.

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 TGS'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 TGS'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 TGS as of June 30, 2020, 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, 2020, in accordance with accounting principles generally accepted in the United State of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming TGS will continue as a going concern. As disclosed in Note 19 to the financial statements, TGS has suffered recurring losses from operations and has a net position deficit that raises substantial doubt about its ability to continue as a going concern. Note 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.

As described in Note 22 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of TGS. 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's Proportionate Share of the Net Pension Liability, Schedule of TGS's Contributions-Pension, Schedule of TGS's Proportionate Share of the Net OPEB Liability/(Asset), and Schedule of TGS's 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 28, 2020, on our consideration of TGS'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 TGS'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 TGS'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, 2020. 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.

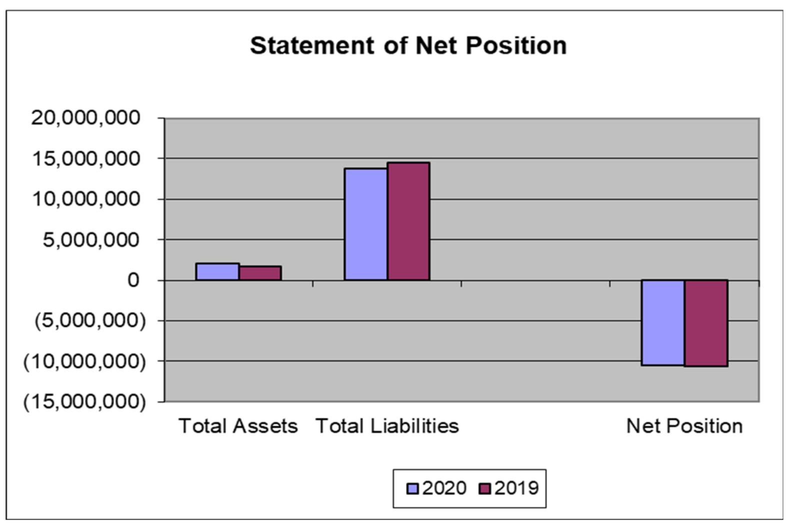
FINANCIAL HIGHLIGHTS -

Key Financial Highlights for TGS for the fiscal year 2020 are as follows:

- In total, net position increased $130,233, which represents a 1 percent increase from 2019.
- Total assets increased $382,150 which represents a 23 percent increase from 2019.
- Total liabilities decreased $717,408 which represents a 5 percent decrease from 2019.

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 2020. 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 2020 and 2019.

Table 1
Statement of Net Position

	2020	2019	Change
Assets			
Current Assets	$ 569,576	$ 158,186	411,390
Net OPEB Asset	692,159	666,173	25,986
Capital Assets, Net	811,303	866,529	(55,226)
Total Assets	2,073,038	1,690,888	382,150
Deferred Outflows of Resources			
Pension & OPEB	2,854,416	3,969,134	(1,114,718)
Liabilities			
Current Liabilities	1,551,721	1,755,086	(203,365)
Long Term Liabilities	12,259,099	12,773,142	(514,043)
Total Liabilities	13,810,820	14,528,228	(717,408)
Deferred Inflows of Resources			
Pension & OPEB	1,615,716	1,761,109	(145,393)
Net Position			
Net Investment in Capital Assets	335,197	(219,215)	554,412
Restricted for Educational Programs	72,836	0	72,836
Unrestricted	(10,907,115)	(10,410,100)	(497,015)
Total Net Position	$ (10,499,082)	$ (10,629,315)	$ 130,233

The net pension liability (NPL) is the largest single liability reported by TGS at June 30, 2020, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, TGS 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 TGS'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 TGS'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, TGS 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 2020 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, TGS'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 39 percent of total assets. Capital assets include land, buildings, improvements and furniture and equipment. Net investment in capital assets was $335,197 at June 30, 2020. 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.

The increase in current assets can be attributed to an increase in revenue from increased services provided to schools.

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 a decrease in OPEB liabilities as discussed above, coupled with principal payments on the capital lease and loan forgiveness on the notes payable. The loan forgiveness of $586,930 also caused a significant increase in net investment in capital assets. Current liabilities decreased primarily in accounts payable from monies owed to The Charles School at Ohio Dominican University (TCS) and The Graham Elementary and Middle School (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 2020 and 2019, 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

	2020	2019	Change
Operating Revenue			
State Aid	$ 2,110,902	$ 2,090,756	20,146
Casino Aid	12,774	12,533	241
Facilities Aid	53,177	47,165	6,012
Classroom Materials & Fees	4,619	8,226	(3,607)
Services to Schools	6,570,832	5,593,942	976,890
Other Operating Revenues	36,324	65,242	(28,918)
Total Operating Revenues	8,788,628	7,817,864	970,764
Operating Expenses			
Salaries	6,035,631	5,990,914	44,717
Fringe Benefits	2,934,670	1,158,130	1,776,540
Purchased Services	598,305	677,213	(78,908)
Materials and Supplies	106,145	125,451	(19,306)
Depreciation Expense	60,374	56,543	3,831
Other Operating Expense	66,566	64,331	2,235
Total Operating Expenses	9,801,691	8,072,582	1,729,109
Non-Operating (Revenue) Expenses			
Grants	505,933	514,710	(8,777)
Interest Income	523	6,361	(5,838)
Contributions and Donations	68,975	373,510	(304,535)
Loss on Sale of Assets	0	(21,428)	21,428
Interest and Fiscal Charges	(19,065)	(14,029)	(5,036)
Loan Forgiveness	586,930	0	586,930
Total Non-Operating Revenue (Expenses)	1,143,296	859,124	284,172
Increase (Decrease) in Net Position	130,233	604,406	(474,173)
Net Position at Beginning of Year	(10,629,315)	(11,233,721)	604,406
Net Position at End of Year	$ (10,499,082)	$ (10,629,315)	$ 130,233

Per management agreement, as TCS and GEMS enrollment increases and operating revenues increase, the amount of management fees TGS collects also increases. During 2020, despite the decrease in enrollment for TCS and GEMS, both schools received the Quality Community School grant, which exceeded the decrease in operating revenues and caused an increase in services to schools revenue. TGS received a forgiveness of loan as a charitable contribution during fiscal year 2020. See Note 12.

Fringe benefits increased significantly. The changes in fringe benefits are primarily associated to changes in the TGS'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.

CAPITAL ASSETS

TGS has $811,303 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 $476,106 at June 30, 2020, of which $21,986 is current. Note 12 to the basic financial statements summarize all of the TGS' debt obligations at June 30, 2020.

OTHER INFORMATION

For the Future

Our financial position improved considerably during fiscal year 2020 due to the forgiveness of our largest outstanding debt and an increase in management fees due to TCS and GEMS receiving more state funding. TGS also received additional Wellness funding and federal grants.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of TGS. Due to the dynamic environment and changes in fiscal policies, the exact impact on TGS's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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, 2020

Assets	
Current Assets:	
Cash and Investments	$ 465,871
Beneficial Interest in Assets Held By Others	21,017
Intergovernmental Receivable	82,688
Total Current Assets	569,576
Noncurrent Assets:	
Net OPEB Asset	692,159
Capital Assets:	
Non-Depreciable Capital Assets	141,800
Depreciable Capital Assets, net	669,503
Total Noncurrent Assets	1,503,462
Total Assets	2,073,038
Deferred Outflows of Resources	
Deferred Outflows - Pension	2,598,572
Deferred Outflows - OPEB	255,844
Total Deferred Outflows of Resources	2,854,416
Liabilities	
Current Liabilities:	
Accounts Payable	676,985
Accrued Wages and Benefits	847,803
Intergovernmental Payable	4,947
Capital Lease Payable	21,113
Notes Payable	873
Total Current Liabilities	1,551,721
Long-Term Liabilities:	
Net Pension Liability	11,091,086
Net OPEB Liability	713,893
Notes Payable	396,625
Capital Lease Payable	57,495
Total Long-Term Liabilities	12,259,099
Total Liabilities	13,810,820
Deferred Inflows of Resources	
Deferred Inflows - Pension	531,143
Deferred Inflows - OPEB	1,084,573
Total Deferred Inflows of Resources	1,615,716
Net Position	
Net Investment in Capital Assets	335,197
Restricted for Educational Programs	72,836
Unrestricted	(10,907,115)
Total Net Position	$ (10,499,082)

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, 2020

Operating Revenues		
State Aid	$	2,110,902
Casino Aid		12,774
Facilities Aid		53,177
Classroom Fees		4,619
Services to Schools		6,570,832
Other Operating		36,324
Total Operating Revenues		8,788,628
Operating Expenses		
Salaries		6,035,631
Fringe Benefits		2,934,670
Purchased Services		598,305
Materials and Supplies		106,145
Depreciation		60,374
Other		66,566
Total Operating Expenses		9,801,691
Operating Income/(Loss)		(1,013,063)
Non-Operating Revenues (Expenses)		
Grants		505,933
Contributions & Donations		68,975
Investment Income		523
Loan Forgiveness - Charitable Contribution		586,930
Interest and Fiscal Charges		(19,065)
Total Non-Operating Revenues (Expenses)		1,143,296
Change in Net Position		130,233
Net Position Beginning of Year		(10,629,315)
Net Position End of Year	$	(10,499,082)

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, 2020

Increase (Decrease) in Cash and Investments	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 2,167,869
Cash Received from Other Operating Sources	6,444,185
Cash Payments to Suppliers for Goods and Services	(677,153)
Cash Payments to Employees for Services	(6,085,093)
Cash Payments for Employee Benefits	(1,897,248)
Other Cash Payments	(66,550)
Net Cash Used for Operating Activities	(113,990)
Cash Flows from Noncapital Financing Activities	
Cash Received from Grants	525,242
Cash Received from Contributions and Donations	53,287
Net Cash Provided by Noncapital Financing Activities	578,529
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Assets	(5,148)
Cash Payments for Interest and Fiscal Charges	(16,269)
Cash Payments for Principal Payments	(9,816)
Net Cash Used for Capital Financing Activities	(31,233)
Cash Flows from Investing Activities	
Investment Income	367
Net Increase in Cash and Investments	433,673
Cash and Investments Beginning of Year	32,198
Cash and Investments End of Year	$ 465,871
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities	
Operating Income (Loss)	(1,013,063)
ADJUSTMENTS TO RECONCILE OPERATING INCOME(LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	60,374
Changes in Assets and Liabilities and Deferred Inflows/Outflows of Resources	
Accounts Receivable	12,114
Intergovernmental Receivable	(8,984)
Net OPEB Asset	(25,986)
Deferred Outflows of Resources - Pension/OPEB	1,114,718
Accounts Payable	(161,914)
Accrued Wages and Benefits	(42,966)
Intergovernmental Payable	1,384
Net Pension/OPEB Liability	95,726
Deferred Inflows of Resources - Pension/OPEB	(145,393)
Net Cash Used for Operating Activities	$ (113,990)

Non-Cash Capital and Related Financing Activities

Contributions were received from TCS and GEMS for debt service on copiers in the amount of $15,688, of which $12,892 is related to principal payments.

Loan Forgiveness of $586,930 from DTK Services

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. 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, 2020. 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 costs incurred before the end of a construction period of capital assets is recognized as an expense in the period in which the cost is incurred.

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, 2020, 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: At year-end, $286,582 of TGS' bank balance of $536,582 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the TGS's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the TGS to a successful claim by the FDIC.

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. TGS does not have a policy for custodial credit risk.

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, 2020. 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	$ 13,395	$ 13,395	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 TGS's recurring fair value measurements as of June 30, 2020. All investments of TGS are valued using quoted market prices (Level 1 inputs).

4. RECEIVABLES

At June 30, 2020, TGS had intergovernmental receivables in the amount of $82,688. Intergovernmental receivables are amounts due from ODE related to federal grants and state aid. All receivables are expected to be collected within one year.

5. CAPITAL ASSETS

At June 30, 2020, the following table represents TGS' changes in capital assets. Capital assets are considered depreciable, except for land.

	Balance 6/30/2019	Additions	Disposals	Balance 6/30/2020
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	375,231	5,148	0	380,379
Total Capital Assets Being Depreciated	2,254,108	5,148	0	2,259,256
Accumulated Depreciation				
Building	(498,280)	(27,705)	0	(525,985)
Improvements	(770,677)	0	0	(770,677)
Furniture and Equipment	(260,422)	(32,669)	0	(293,091)
Total Accumulated Depreciation	(1,529,379)	(60,374)	0	(1,589,753)
Total Capital Assets Being Depreciated	724,729	(55,226)	0	669,503
Capital Assets, Net	$ 866,529	$ (55,226)	$ 0	$ 811,303

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 2020, 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 Occurrence	6,000,000
Umbrella Liability Aggregate	6,000,000
Automobile Liability Combined 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

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

Plan Description - TGS 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, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The TGS's contractually required contribution to SERS was $162,538 for fiscal year 2020. Of this amount, $18,136 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.

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

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

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

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

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

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, 2020, plan members were required to contribute 14 percent of their annual covered salary. The TGS was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The TGS's contractually required contribution to STRS was $684,553 for fiscal year 2020. Of this amount, $82,620 is reported as an accrued wages and benefits.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The TGS's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03090600%	0.04179144%	
Prior Measurement Date	0.03138040%	0.04145710%	
Change in Proportionate Share	-0.00047440%	0.00033434%	
Proportionate Share of the Net Pension Liability	$ 1,849,160	$ 9,241,926	$ 11,091,086
Pension Expense	$ 346,538	$ 1,670,408	$ 2,016,946

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the 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, 2020 the 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	$ 46,891	$ 75,244	$ 122,135
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	0	1,085,644	1,085,644
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions	36,399	507,303	543,702
TGS Contributions Subsequent to the Measurement Date	162,538	684,553	847,091
Total Deferred Outflows of Resources	$ 245,828	$ 2,352,744	$ 2,598,572
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 40,007	$ 40,007
Net Difference between Projected and Actual Earnings on Pension Plan Investments	23,737	451,697	475,434
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions	15,702	0	15,702
Total Deferred Inflows of Resources	$ 39,439	$ 491,704	$ 531,143

$847,091 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, 2021. 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:			
2021	$ 78,083	$ 833,369	$ 911,452
2022	(46,116)	278,505	232,389
2023	(1,579)	(1,946)	(3,525)
2024	13,463	66,559	80,022
	$ 43,851	$ 1,176,487	$ 1,220,338

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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, 2019, are presented below:

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

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

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

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

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

Sensitivity of the 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 the TGS's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the 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	$ 2,591,334	$ 1,849,160	$ 1,226,754

Actuarial Assumptions - STRS

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

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

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

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

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

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, 2019. 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, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the TGS's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the TGS's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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	$ 13,506,046	$ 9,241,926	$ 5,632,131

8. DEFINED BENEFIT OPEB PLANS

See Note 7 for a description of the net OPEB liability (asset).

Plan Description - TGS Employees Retirement System (SERS)

Health Care Plan Description - The 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 the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was $19,600. 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 2020, the TGS's surcharge obligation was $1,932, which is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The TGS's proportion of the net OPEB liability (asset) was based on the 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 (Asset):						
Current Measurement Date		0.02838800%		0.04179100%		
Prior Measurement Date		0.02871200%		0.04145700%		
Change in Proportionate Share		-0.00032400%		0.00033400%		
Proportionate Share of the Net OPEB Liability (Asset)	$	713,893	$	(692,159)		
OPEB Expense	$	30,923	$	(159,781)	$	(128,858)

At June 30, 2020, the 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	$	10,480	$	62,751	$	73,231
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		1,713		0		1,713
Changes of Assumptions		52,142		14,549		66,691
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions		14,728		97,549		112,277
TGS Contributions Subsequent to the Measurement Date		1,932		0		1,932
Total Deferred Outflows of Resources	$	80,995	$	174,849	$	255,844
Deferred Inflows of Resources						
Differences between Expected and Actual Experience	$	156,839	$	35,214	$	192,053
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		0		43,473		43,473
Changes of Assumptions		40,006		758,871		798,877
Changes in Proportion and Differences between TGS Contributions and Proportionate Share of Contributions		21,722		28,448		50,170
Total Deferred Inflows of Resources	$	218,567	$	866,006	$	1,084,573

$1,932 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 fiscal year ending June 30, 2021. 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:			
2021	$ (35,565)	$ (148,524)	$ (184,089)
2022	(23,489)	(148,525)	(172,014)
2023	(22,987)	(131,101)	(154,088)
2024	(23,070)	(124,984)	(148,054)
2025	(23,319)	(135,270)	(158,589)
Thereafter	(11,074)	(2,753)	(13,827)
	$ (139,504)	$ (691,157)	$ (830,661)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

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

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

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

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

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

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, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of the 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 (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability	$ 866,537	$ 713,893	$ 592,533

	1% Decrease	Current Trend Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability	$ 571,977	$ 713,893	$ 902,194

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	Initial	Ultimate
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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.

The actuarial assumptions used in the June 30, 2019 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 OPEB liability was 7.45 percent as of June 30, 2019. 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. 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, 2019.

Sensitivity of the TGS's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and 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)	$ (590,620)	$ (692,159)	$ (777,530)

	1% Decrease	Current Trend Rate	1% Increase
TGS's Proportionate Share of the Net OPEB Liability (Asset)	$ (784,877)	$ (692,159)	$ (578,603)

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, 2020.

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 2020 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 their Sponsor requires payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2020 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with this contract.

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. 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 $73,564 at June 30, 2020.

The following is a schedule of the future minimum payments required under the capital lease as of June 30, 2020.

Fiscal Year Ending	Copiers
2021	$ 24,473
2022	24,473
2023	24,473
2024	12,236
Total minimum Lease Payments	$ 85,654
Less: amount representing interest	(7,046)
Present value of minumum lease payments	$ 78,608

11. ACCOUNTS PAYABLE

Accounts payable consists of obligations at June 30, 2020 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:

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	Outstanding 6/30/19	Additions	Reductions	Outstanding 6/30/2020	Amounts Due in One Year
Direct Borrowing:					
Dantomka Ltd.	$ 398,349	$ 0	$ 851	$ 397,498	$ 873
Dantomka Ltd.	588,676	0	588,676	0	0
Total Direct Borrowing	987,025	0	589,527	397,498	873
Net Pension Liability	10,912,699	178,387	0	11,091,086	0
Net OPEB Liability	796,554	0	82,661	713,893	0
Capital Leases - Copiers	98,719	0	20,111	78,608	21,113
Total Governmental Activities Long-Term Liabilities	$ 12,794,997	$ 178,387	$ 692,299	$ 12,281,085	$ 21,986

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 2020 was $9,949.

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. This loan was forgiven December 2019 by DTK Services on behalf of Dantomka, Ltd, as a charitable contribution without receipt or expectation of any goods or services in return.

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 agreement for Dantomka Ltd. mortgage, 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, 2020, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	$ 873	$ 9,928	$ 10,800
2022	23,483	9,788	33,271
2023	46,950	8,793	55,743
2024	48,137	7,606	55,743
2025	49,354	6,388	55,743
2026-2030	228,702	12,849	241,551
Total	$ 397,498	$ 55,352	$ 452,850

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, 2020 totaled $64,319.

15. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Columbus Foundation holds in trust a money market account valued at $21,017 at June 30, 2020. 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 $156 from the fund in fiscal year 2020.

16. MANAGEMENT AGREEMENT WITH THE CHARLES SCHOOL (TCS)

Effective July 1, 2007, TCS entered into a Management Agreement (the Agreement) with TGS. 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 $2,968,030, as reported in the TCS Statement of Revenues, Expenses and Changes in Net Position. Of this fee, $2,419,098 was for general fund related fees and $467,879 was for grant related reimbursements. The remainder of the expense was for base licensing fees in the amount of $81,053.

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

Effective July 1, 2015, GEMS entered into a one year Management Agreement (the Agreement) with TGS. The Agreement has been renewed annually through June 30, 2021. 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. GEMS management fee expense for the fiscal year total $3,585,175, as reported in the GEMS' Statement of Revenues, Expenses and Changes in Fund Net Position. Of this fee, $2,988,963 was for general fund related fees, and $491,365 was for grant related reimbursements. The remainder of the expense was for base licensing fees in the amount of $104,847.

18. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2020, the TGS implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:
- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:
- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the TGS also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of TGS.

For the fiscal year ended June 30, 2020, the TGS has early implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* and GASB Statement No. 92 *Omnibus 2020.*

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

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of TGS.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of TGS.

19. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

At June 30, 2020, TGS had ending net position of $(10,499,082), including the impact of GASB 68 and 75. Without the impact of GASB 68 and GASB 75, TGS's net position is $(624,962). 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, TGS obtained a promissory note in the amount of $1,592,655 through the Paycheck Projection Program on July 28, 2020. TGS intends to apply for the loan forgiveness eligibility program set forth through the U.S. Small Business Administration.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of TGS. Due to the dynamic environment and changes in fiscal policies, the exact impact on the TGS's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

For the fiscal year ended June 30, 2020, TGS incurred the following expenses on-behalf of TCS and GEMS:

The Charles School	**Regular Instruction**	**Special Instruction**	**Support Services**	**Total**
Direct expenses:				
Salaries & wages (100 object codes)	$ 937,715	$ 158,500	$ 547,061	$ 1,643,276
Employees' benefits (200 object codes)	$ 288,323	$ 34,124	$ 173,794	$ 496,241
Indirect expenses:				
Overhead	$ 25,219	$ 50,202	$ 343,110	$ 418,531
Total expenses	**$ 1,251,257**	**$ 242,826**	**$ 1,063,965**	**$ 2,558,048**

Graham Elementary and Middle School	**Regular Instruction**	**Special Instruction**	**Support Services**	**Total**
Direct expenses:				
Salaries & wages	$ 1,293,761	$ 374,116	$ 611,818	$ 2,279,695
Employees' benefits	$ 417,094	$ 112,546	$ 124,865	$ 654,505
Indirect expenses:				
Overhead	$ 29,418	$ 58,562	$ 400,291	$ 488,271
Total expenses	**$ 1,740,273**	**$ 545,224**	**$ 1,136,974**	**$ 3,422,471**

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 Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)							
TGS' Proportion of the Net Pension Liability	0.03090600%	0.03138040%	0.03029110%	0.02839550%	0.02708810%	0.02906700%	0.02906700%
TGS' Proportionate Share of the Net Pension Liability	$ 1,849,160	$ 1,797,214	$ 1,809,826	$ 2,078,289	$ 1,545,673	$ 1,471,064	$ 1,728,521
TGS' Covered Payroll	$ 1,061,489	$ 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	174.20%	177.60%	175.48%	206.53%	138.32%	178.48%	183.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)							
TGS' Proportion of the Net Pension Liability	0.04179144%	0.04145710%	0.04006600%	0.03822579%	0.03655546%	0.03467255%	0.03467255%
TGS' Proportionate Share of the Net Pension Liability	$ 9,241,926	$ 9,115,485	$ 9,517,764	$ 12,795,324	$ 10,102,860	$ 8,433,564	$ 10,046,006
TGS' Covered Payroll	$ 4,909,336	$ 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	188.25%	193.41%	216.08%	320.20%	246.99%	221.27%	314.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	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

	2020	2019	2018	2017
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 162,538	$ 143,301	$ 136,613	$ 144,390
Contributions in Relation to the Contractually Required Contribution	(162,538)	(143,301)	(136,613)	(144,390)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS's Covered Payroll	$ 1,160,986	$ 1,061,489	$ 1,011,948	$ 1,031,357
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 684,553	$ 687,307	$ 659,816	$ 616,667
Contributions in Relation to the Contractually Required Contribution	(684,553)	(687,307)	(659,816)	(616,667)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS's Covered Payroll	$ 4,889,664	$ 4,909,336	$ 4,712,971	$ 4,404,764
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2016		2015		2014		2013		2012		2011	
$	140,880	$	147,285	$	114,239	$	130,728	$	125,002	$	7,458
	(140,880)		(147,285)		(114,239)		(130,728)		(125,002)		(7,458)
$	0	$	0	$	0	$	0	$	0	$	0
$	1,006,286	$	1,117,489	$	824,235	$	944,566	$	929,383	$	59,332
	14.00%		13.18%		13.86%		13.84%		13.45%		12.57%
$	559,452	$	572,646	$	495,482	$	415,519	$	260,618	$	285,926
	(559,452)		(572,646)		(495,482)		(415,519)		(260,618)		(285,926)
$	0	$	0	$	0	$	0	$	0	$	0
$	3,996,086	$	4,090,329	$	3,811,400	$	3,196,300	$	2,004,754	$	2,199,431
	14.00%		14.00%		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 Four Fiscal Years (1)

	2020	2019	2018	2017
School Employees Retirement System (SERS)				
TGS' Proportion of the Net OPEB Liability	0.02838800%	0.02871200%	0.02798010%	0.02624012%
TGS' Proportionate Share of the Net OPEB Liability	$ 713,893	$ 796,554	$ 750,912	$ 747,940
TGS' Covered Payroll	$ 1,061,489	$ 1,011,948	$ 1,031,357	$ 1,006,286
TGS' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	67.25%	78.71%	72.81%	74.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)				
TGS's Proportion of the Net OPEB Liability/(Asset)	0.04179100%	0.04145700%	0.04006600%	0.03822579%
TGS's Proportionate Share of the Net OPEB Liability/(Asset)	$ (692,159)	$ (666,173)	$ 1,563,277	$ 2,044,325
TGS's Covered Payroll	$ 4,909,336	$ 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	-14.10%	-14.13%	35.49%	51.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	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.

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

	2020	2019	2018	2017
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 1,932	$ 7,240	$ 6,701	$ 2,491
Contributions in Relation to the Contractually Required Contribution	(1,932)	(7,240)	(6,701)	(2,491)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
TGS' Covered Payroll	$ 1,160,986	$ 1,061,489	$ 1,011,948	$ 1,031,357
OPEB Contributions as a Percentage of Covered Payroll (1)	0.17%	0.68%	0.66%	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	$ 4,889,664	$ 4,909,336	$ 4,712,971	$ 4,404,764
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.

	2016	2015	2014	2013	2012	2011
	$ 2,399	$ 11,537	$ 6,499	$ 12,574	$ 14,645	$ 17,575
	(2,399)	(11,537)	(6,499)	(12,574)	(14,645)	(17,575)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 1,006,286	$ 1,117,489	$ 824,235	$ 944,566	$ 929,383	$ 59,332
	0.24%	1.03%	0.79%	1.33%	1.58%	29.62%
	$ 0	$ 0	$ 38,114	$ 31,963	$ 20,048	$ 21,994
	0	0	(38,114)	(31,963)	(20,048)	(21,994)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 3,996,086	$ 4,090,329	$ 3,811,400	$ 3,196,300	$ 2,004,754	$ 2,199,431
	0.00%	0.00%	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

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

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

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - SERS

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

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

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 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:
Municipal Bond Index Rate:

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

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

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

Pre-Medicare

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

Medicare

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

Changes in Assumptions – STRS

For fiscal year 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 - SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

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

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

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

December 28, 2020

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 (TGS) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise TGS'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 28, 2020, in which we noted that the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of TGS. We also noted TGS has suffered recurring losses from operations and has a net position deficit that raises substantial doubt about its ability to continue as a going concern.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TGS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TGS's internal control. Accordingly, we do not express an opinion on the effectiveness of TGS'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 TGS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rea & Associates, Inc.

Dublin, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

THE GRAHAM SCHOOL

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 2/18/2021

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