TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY
JUNE 30, 2022

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43604

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Toledo School for the Arts, Lucas County, Ohio (the School), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Toledo School for the Arts, Lucas County, Ohio as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2023

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The discussion and analysis of Toledo School for the Arts (TSA) financial performance provides an overall review of TSA's financial activities for the fiscal year ended June 30, 2022. Readers should also review the basic financial statements and notes to enhance their understanding of TSA's financial performance.

Highlights

For the fiscal year ended June 30, 2022, TSA's net position increased $2,955,248, or 117 percent.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements.

The statement of net position and the statement of revenues, expenses, and change in net position reflect how TSA did financially during fiscal year 2022. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report TSA's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of TSA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of TSA's net position for fiscal year 2022 and fiscal year 2021:

Table 1
Net Position

	2022	2021 (Restated)	Change
Assets			
Current Assets	$1,720,077	$2,191,199	($471,122)
Non-Current Assets (excluding capital assets)	7,061,734	878,374	6,183,360
Net OPEB Asset	499,959	420,490	79,469
Capital Assets, Net	5,483,716	4,701,936	781,780
Total Assets	14,765,486	8,191,999	6,573,487
Deferred Outflows of Resources			
Pension	1,603,501	1,316,135	287,366
OPEB	177,374	158,838	18,536
Total Deferred Outflows of Resources	1,780,875	1,474,973	305,902

(continued)

Table 1
Net Position
(continued)

	2022	2021 (Restated)	Change
Liabilities			
Current Liabilities	$1,465,344	$1,090,214	($375,130)
Non-Current Liabilities			
Pension	3,969,388	7,313,891	3,344,503
OPEB	443,441	464,836	21,395
Other Amounts	6,102,705	2,312,631	(3,790,074)
Total Liabilities	11,980,878	11,181,572	(799,306)
Deferred Inflows of Resources			
Pension	3,221,745	149,297	(3,072,448)
OPEB	885,725	822,079	(63,646)
Other Amounts	35,977	47,236	11,259
Total Deferred Inflows of Resources	4,143,447	1,018,612	(3,124,835)
Net Position			
Net Investment in Capital Assets	2,959,890	2,275,026	684,864
Restricted	1,492,589	247,500	1,245,089
Unrestricted (Deficit)	(4,030,443)	(5,055,738)	1,025,295
Total Net Position (Deficit)	$422,036	($2,533,212)	$2,955,248

The net pension liability and net OPEB liability (asset) reported by TSA at June 30, 2022, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of TSA's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 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 Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal TSA's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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, TSA is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of TSA. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension/OPEB 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 Statements No. 68 and No. 75, TSA's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall increase in deferred outflows and increase in deferred inflows. The increase in the net OPEB asset and the decrease in net pension liability and net OPEB liability represent the TSA's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from the changes related to pension/OPEB, there were several changes of note in the above table. In fiscal year 2022, TSA began work on the "Next Big Thing" facilities expansion project. There was a significant increase in intergovernmental receivables for the Elementary and Secondary School Emergency Relief grant related to this project. However, TSA contributed \$1.8 million towards the project fund (cash and cash equivalents with fiscal agent) along with \$4.1 million of development revenue bonds issued during the fiscal year resulting in the overall decrease in current and other assets and the increase in non-current assets (excluding capital assets) as \$5.3 million has not been spent at fiscal year end. The increase in net capital assets represents the construction in progress for the project.

The increase in current liabilities and other non-current liabilities is also reflecting activity related to the "Next Big Thing" project mentioned above. An increase in current liabilities occurred as there were contracts and retainage payable recorded for work on the project completed at fiscal year, but not yet paid in cash. The increase in other non-current liabilities represents the development revenue bonds issued, during the fiscal year.

Table 2 reflects the change in net position for fiscal year 2022 and fiscal year 2021.

Table 2
Change in Net Position

	2022	2021 (Restated)	Change
Operating Revenues			
Foundation	$5,569,926	$5,137,425	$432,501
Sales	175,872	94,084	81,788
Tuition and Fees	8,749	9,905	(1,156)
Other Operating Revenues	116,659	110,935	5,724
Total Operating Revenues	5,871,206	5,352,349	518,857
Non-Operating Revenues			
Operating Grants	2,115,438	2,287,709	(172,271)
Contributions and Donations	2,367,421	1,569,344	798,077
Interest Revenue	152	398	(246)
Total Non-Operating Revenues	4,483,011	3,857,451	625,560
Total Revenues	10,354,217	9,209,800	1,144,417
Operating Expenses			
Salaries	4,078,628	3,879,160	(199,468)
Fringe Benefits	528,290	1,374,264	845,974
Purchased Services	1,312,838	1,047,975	(264,863)
Materials and Supplies	626,686	1,026,763	400,077
Depreciation	231,489	233,925	2,436
Other Operating Expenses	103,143	191,695	88,552
Total Operating Expenses	6,881,074	7,753,782	872,708
Non-Operating Expenses			
Interest Expense	517,895	120,175	(397,720)
Total Expenses	7,398,969	7,873,957	474,988
Increase in Net Position	2,955,248	1,335,843	1,619,405
Net Position (Deficit) at Beginning of Year	(2,533,212)	(3,869,055)	1,335,843
Net Position (Deficit) at End of Year	$422,036	($2,533,212)	$2,955,248

Total revenues increased over 12 percent. There was a moderate increase in foundation funding, despite consistent enrollment from the prior fiscal year, resulting from the revised school funding formula used by the Ohio Department of Education. The increase in contributions and donations was primarily related to the "Next Big Thing" pledge campaign to allow for facilities expansion.

Expenses decreased 6 percent mostly due to the recognition of negative pension expense related to changes in the net pension liability reported by the pension systems. However, there was a significant decrease in materials and supplies expense as there were significant expenditures in the prior fiscal year related to COVID-19. Additionally, increased interest expenses were incurred for the issuance of the development revenue bonds.

Budgeting

TSA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

At the end of fiscal year 2022, TSA had $5,483,716 invested in capital assets (net of accumulated depreciation). Additions consisted of construction in progress for the "Next Big Thing" project. There were no disposals. For further information regarding TSA's capital assets, refer to Note 6 to the basic financial statements.

Debt Administration

At the end of fiscal year 2022, TSA had outstanding development revenue bonds, in the amount of $5,633,336 and outstanding loans, in the amount of $786,045. Long-term obligations also include the net pension/OPEB liability and capital leases. For further information regarding TSA's long-term obligations, refer to Note 11 to the basic financial statements.

Current Issues

Bowling Green State University (BGSU) initially adopted the sponsorship contract of TSA for a period of four years, from July 1, 2008, through June 30, 2012. The sponsorship agreement renewed in the spring of 2012 for an additional five years through June 30, 2017. On April 11, 2017, the Board approved a new sponsorship agreement for an additional five years through June 30, 2022; however, due to changes in State legislation, this agreement expired on June 30, 2019. On June 13, 2019, the Board approved a resolution to renew the contract with BGSU that expires on June 30, 2022. On August 12, 2021, the Board approved a resolution that extended the contract with BGSU until June 30, 2024.

The Toledo Community Foundation currently houses two endowment funds for the Toledo School for the Arts. The first was established in July 2008; the purpose of this endowment is to provide funding for programs that would not otherwise be available through federal, state, or local sources. The balance of this endowment on June 30, 2022, was $369,116. The second fund was established November 1, 2016; the purpose of this endowment is also to provide funding for programs that would not otherwise be available through federal, state, or local sources. The balance of this endowment on June 30, 2022, was $32,979.

Contacting TSA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of TSA's finances and to reflect TSA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jamie Lockwood, Treasurer, Toledo School for the Arts, 333 14th Street, Toledo, Ohio, 43604.

Toledo School for the Arts
Statement of Net Position
June 30, 2022

Current Assets	
Cash and Cash Equivalents	$511,415
Accounts Receivable	640
Intergovernmental Receivable	944,459
Prepaid Items	691
Pledges Receivable	262,872
Total Current Assets	1,720,077
Non-Current Assets	
Restricted Assets:	
Cash and Cash Equivalents	69,491
Cash and Cash Equivalents with Fiscal Agent	5,602,589
Pledges Receivable	1,389,654
Net OPEB Asset	499,959
Nondepreciable Capital Assets	1,071,569
Depreciable Capital Assets, Net	4,412,147
Total Non-Current Assets	13,045,409
Total Assets	14,765,486
Deferred Outflows of Resources	
Pension	1,603,501
OPEB	177,374
Total Deferred Outflows of Resources	1,780,875
Current Liabilities	
Accounts Payable	12,439
Contracts Payable	436,528
Accrued Wages and Benefits Payable	537,130
Accrued Interest Payable	31,351
Intergovernmental Payable	105,803
Retainage Payable	22,975
Development Revenue Bonds Payable	220,000
Loans Payable	96,676
Leases Payable	2,442
Total Current Liabilities	1,465,344
Non-Current Liabilities	
Development Revenue Bonds Payable	5,413,336
Loans Payable	689,369
Net Pension Liability	3,969,388
Net OPEB Liability	443,441
Total Non-Current Liabilities	10,515,534
Total Liabilities	11,980,878
Deferred Inflows of Resources	
Unavailable Revenue	35,977
Pension	3,221,745
OPEB	885,725
Total Deferred Inflows of Resources	4,143,447
Net Position	
Net Investment in Capital Assets	2,959,890
Restricted for:	
Capital Projects	1,245,089
Future Debt Service	247,500
Unrestricted (Deficit)	(4,030,443)
Total Net Position	$422,036

See Accompanying Notes to Basic Financial Statements

Toledo School for the Arts
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2022

Operating Revenues	
Foundation	$5,569,926
Sales	175,872
Tuition and Fees	8,749
Other Operating Revenues	116,659
Total Operating Revenues	5,871,206
Operating Expenses	
Salaries	4,078,628
Fringe Benefits	528,290
Purchased Services	1,312,838
Materials and Supplies	626,686
Depreciation	231,489
Other Operating Expenses	103,143
Total Operating Expenses	6,881,074
Operating Loss	(1,009,868)
Non-Operating Revenues (Expenses)	
Grants	2,115,438
Contributions and Donations	2,367,421
Interest Revenue	152
Interest Expense	(517,895)
Total Non-Operating Revenues (Expenses)	3,965,116
Change in Net Position	2,955,248
Net Position (Deficit) at Beginning of Year - Restated (Note 3)	(2,533,212)
Net Position at End of Year	$422,036

See Accompanying Notes to the Basic Financial Statements

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Foundation	$5,568,778
Cash Received from Sales	164,613
Cash Received from Tuition and Fees	8,109
Cash Received from Other Revenues	90,884
Cash Payments for Salaries	(4,124,679)
Cash Payments for Fringe Benefits	(1,163,619)
Cash Payments for Goods and Services	(1,923,497)
Cash Payments for Other Expenses	(102,354)
Net Cash Used for Operating Activities	(1,481,765)
Cash Flows from Noncapital Financing Activities	
Cash Received from Grants	1,286,715
Cash Received from Contributions and Donations	1,561,801
Net Cash Provided by Noncapital Financing Activities	2,848,516
Cash Flows from Capital and Related Financing Activities	
Development Revenue Bonds Issued	4,110,000
Principal Paid on Development Revenue Bonds	(210,833)
Interest Paid on Development Revenue Bonds	(468,747)
Principal Paid on Loans	(92,293)
Interest Paid on Loans	(40,158)
Lease Principal	(9,461)
Lease Interest	(496)
Acquisition of Capital Assets	(603,766)
Net Cash Provided by Capital and Related Financing Activities	2,684,246
Cash Flows from Investing Activities	
Cash Received from Interest	152
Net Increase in Cash and Cash Equivalents	4,051,149
Cash and Cash Equivalents at Beginning of Year	2,132,346
Cash and Cash Equivalents at End of Year	$6,183,495

(continued)

Toledo School for the Arts
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022
(continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($1,009,868)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation/Amortization	231,489
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(130)
Increase in Intergovernmental Receivable	(26,612)
Increase in Prepaid Items	(4)
Decrease in Accounts Payable	(9,742)
Decrease in Accrued Wages and Benefits Payable	(40,241)
Decrease in Intergovernmental Payable	(223)
Decrease in Deferred Inflows of Resources	(11,259)
Decrease in Net OPEB Asset	111,524
Decrease in Net Pension Liability	(95,863)
Decrease in Deferrred Outflows of Resources - Pension	874,771
Decrease in Deferred Inflows of Resources - Pension	(1,338,329)
Increase in Net OPEB Liability	43,517
Decrease in Deferrred Outflows of Resources - OPEB	54,557
Decrease in Deferred Inflows of Resources - OPEB	(265,352)
Net Cash Used for Operating Activities	($1,481,765)

Non-Cash Capital Transactions

At June 30, 2021, TSA had outstanding payables related to the acquisition of capital assets, in the amount of $50,000.

At June 30, 2022, TSA had outstanding payables related to the acquisition of capital assets, in the amount of $459,503.

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School

Toledo School for the Arts (TSA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TSA 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 TSA's tax exempt status. TSA's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences, and wish to regain a level of control over their educational experience. TSA encompasses a safe community environment, discovery based methods, parenting education, critical thinking, and problem solving. TSA's programs are currently available to students in grades 6 through 12. TSA, 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. TSA may acquire facilities as needed and contract for any services necessary for the operation of TSA.

TSA was initially approved for operation under a contract with Bowling Green State University (the Sponsor) for a period of four years commencing July 1, 2008. On April 28, 2017, the contract was again renewed for an additional five years through June 30, 2022; however, due to changes in State legislation, this contract expired June 30, 2019. On June 13, 2019, the contract was renewed for July 1, 2019, to June 30, 2022. On August 12, 2021, the Board approved a resolution that extended the contract with BGSU until June 30, 2024. The Sponsor is responsible for evaluating the performance of TSA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

TSA operates under the direction of a sixteen 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. It is staffed by twenty classified employees, fifty-four certified teaching personnel, and nine administrative employees who provide services to six hundred seventy-three students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

TSA's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and change in net position, and a statement of cash flows.

TSA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change 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.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus

TSA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of TSA are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how TSA finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. TSA's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which TSA receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which TSA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to TSA on a reimbursement basis.

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. For TSA, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 8 and 9 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 TSA, deferred inflows of resources consists of unavailable revenue, pension, and OPEB. Unavailable revenue consists of registration fees. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 8 and 9 to the basic financial statements.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by TSA's contract with its Sponsor. The contract between TSA and its Sponsor does prescribe a budget requirement.

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

Cash held by TSA is reflected as "Cash and Cash Equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Cash and cash equivalents that are held separately with the Bank of New York are recorded as "Cash and Cash Equivalents with Fiscal Agent".

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions.

Restricted assets represent certain resources which are segregated from other resources of TSA to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of TSA or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

H. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. TSA maintains a capitalization threshold of five thousand dollars. TSA does not have any infrastructure. 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 capitalized.

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

Description	Useful Lives
Buildings and Building Improvements	15 - 50 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	15 years

Note 2 - Summary of Significant Accounting Policies (continued)

I. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. TSA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of TSA. For TSA, these revenues are generally foundation payments from the State. TSA also received operating revenues from sales (ticket and store sales) and from tuition and fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of TSA. All revenues and expenses not meeting this definition are reported as non-operating.

K. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. 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 systems report investments at fair value.

L. Estimates

The preparation of 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.

Note 3 - Change in Accounting Principle and Restatement Net Position

A. Change in Accounting Principles

For fiscal year 2022, TSA implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, “Leases”.

Note 3 - Change in Accounting Principle and Restatement Net Position (continued)

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the TSA's 2022 financial statements; however, there was no effect on beginning net position.

TSA is also implementing Implementation Guide No. 2020-1, GASB Statement No. 92 –"Omnibus 2020", and GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". These changes were incorporated in TSA's 2022 financial statements; however, there was no effect on beginning net position.

B. Restatement of Net Position

For fiscal year 2022, TSA modified its approach related to the eligibility requirements of certain School District grants. This resulted in the following restatement to net position at July 1, 2021:

	Governmental Activities
Net Position at June 30, 2021	($2,501,692)
Grants	(31,520)
Adjusted Net Position at June 30, 2021	($2,533,212)

Note 4 - Deposits and Investments

At fiscal year end, the carrying amount of TSA's deposits and accounts held with fiscal agent was $6,183,495, and the bank balance was $784,139 of which $233,703 was exposed to custodial credit risk because it was uninsured and uncollateralized. TSA participates 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 repayment all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or at a rate set by the Treasurer of State. One of TSA's financial institutions was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Note 5 - Receivables

Receivables at June 30, 2022, consisted of accounts, intergovernmental, and pledges receivable. Most intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. All receivables, except pledges, are expected to be collected within one year. Pledges, in the amount of $1,389,654, will not be received within one year.

Note 5 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
ARP-ESSER	$836,537
Idea Part-B	25,998
ARP Idea Part B Special Education	4,847
Title I-A	45,881
Expanding Opportunities for Each Child	1,674
Title IV-A	373
Title II-A	2,287
School Employees Retirement System	25,516
State of Ohio	1,019
Foundation	327
Total Intergovernmental Receivables	$944,459

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at 6/30/21	Additions	Reductions	Balance at 6/30/22
Nondepreciable Capital Assets				
Land	$58,300	$0	$0	$58,300
Construction in Progress	0	1,013,269	0	1,013,269
Total Nondepreciable Capital Assets	58,300	1,013,269	0	1,071,569
Depreciable Capital Assets				
Buildings and Building Improvements	7,009,463	0	0	7,009,463
Furniture, Fixtures, and Equipment	52,252	0	0	52,252
Vehicles	10,670	0	0	10,670
Intangible Right to Use Lease - Equipment	11,903	0	0	11,903
Total Depreciable Capital Assets	7,084,288	0	0	7,084,288
Less Accumulated Depreciation/Amortization				
Buildings and Building Improvements	(2,389,175)	(220,782)	0	(2,609,957)
Furniture, Fixtures, and Equipment	(45,076)	(534)	0	(45,610)
Vehicles	(6,401)	(712)	0	(7,113)
Intangible Right to Use Lease - Equipment	0	(9,461)	0	(9,461)
Total Accumulated Depreciation/Amortization	(2,440,652)	(231,489)	0	(2,672,141)
Depreciable Capital Assets, Net	4,643,636	(231,489)	0	4,412,147
Capital Assets, Net	$4,701,936	$781,780	$0	$5,483,716

Note 7 - Risk Management

TSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, TSA contracted for the following insurance coverage:

Coverage provided by The Philadelphia Indemnity Insurance Company is as follows:	
Building and Contents	$6,037,040
General School District Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000
Automobile Liability	1,000,000
Uninsured Motorists	100,000
Umbrella	5,000,000
Stop Gap	1,000,000

Settled claims have not exceeded this commercial coverage for the past three fiscal years and there has been no significant reduction in insurance coverage from the prior fiscal year.

Workers' compensation coverage is provided by the State of Ohio. TSA pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension/OPEB liability (asset) represents TSA's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB 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.

Note 8 - Defined Benefit Pension Plans (continued)

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

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system'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 health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - TSA nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows.

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

Note 8 - Defined Benefit Pension Plans (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. 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 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. The Retirement Board approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries for calendar year 2021.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and TSA 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, 2022, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

TSA's contractually required contribution to SERS was $94,114 for fiscal year 2022. Of this amount, $9,643 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - TSA licensed teachers and other certified 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 publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

Note 8 - Defined Benefit Pension Plans (continued)

The DBP 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. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age sixty or thirty years of service credit at any age.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 at age fifty and after termination of employment.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. 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 DCP who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DCP 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, 2022, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

Note 8 - Defined Benefit Pension Plans (continued)

TSA's contractually required contribution to STRS was $431,804 for fiscal year 2022. Of this amount. $60,081 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TSA's proportion of the net pension liability was based on TSA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.02305290%	0.023925510%	
Current Measurement Date	0.02540930%	0.023712525%	
Change in Proportionate Share	0.00235640%	0.000212985%	
Proportionate Share of the Net Pension Liability	$937,530	$3,031,858	$3,969,388
Pension Expense	$47,336	($80,839)	($33,503)

At June 30, 2022, TSA 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	$91	$93,670	$93,761
Changes of Assumptions	19,742	841,093	860,835
Changes in Proportionate Share and Difference Between TSA Contributions and Proportionate Share of Contributions	104,942	18,045	122,987
TSA Contributions Subsequent to the Measurement Date	94,114	431,804	525,918
Total Deferred Outflows of Resources	$218,889	$1,384,612	$1,603,501

Note 8 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$24,314	$19,004	$43,318
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	482,855	2,612,883	3,095,738
Changes in Proportionate Share and Difference Between TSA Contributions and Proportionate Share of Contributions	0	82,689	82,689
Total Deferred Inflows of Resources	$507,169	$2,714,576	$3,221,745

$525,918 reported as deferred outflows of resources related to pension resulting from TSA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($47,484)	($435,355)	($482,839)
2024	(71,899)	(385,761)	(457,660)
2025	(114,804)	(410,151)	(524,955)
2026	(148,207)	(530,501)	(678,708)
Total	($382,394)	($1,761,768)	($2,144,162)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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.

Note 8 - Defined Benefit Pension Plans (continued)

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, 2021, compared with June 30, 2020, are presented below.

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.5 percent
Investment Rate of Return	7 percent net of System expenses	7.5 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward one year and adjusted 94.2 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries was based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Note 8 - Defined Benefit Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

Discount Rate - The total pension liability for 2021 was calculated using the discount rate of 7 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of TSA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
TSA's Proportionate Share of the Net Pension Liability	$1,559,819	$937,530	$412,726

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below.

	June 30, 2021	June 30, 2020
Inflation	2.5 percent	2.5 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7 percent	7.45 percent
Payroll Increases	3 percent	3 percent
Cost-of-Living Adjustments (COLA)	0 percent	0 percent

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the July 1, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Note 8 - Defined Benefit Pension Plans (continued)

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

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of 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 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of TSA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents TSA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7 percent as well as what TSA'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 percent) or one percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
TSA's Proportionate Share of the Net Pension Liability	$5,677,538	$3,031,858	$796,267

Note 8 - Defined Benefit Pension Plans (continued)

Changes Between the Measurement Date and the Reporting date - In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age sixty requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - TSA contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 sixty-five 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 State statute. The financial report of the Plan is included in the SERS Annual Financial Report which can be obtained by visiting the 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). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Note 9 - Defined Benefit OPEB Plans (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $25,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2022, TSA's surcharge obligation was $2,299.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. TSA's contribution to SERS for health care was $2,299 for fiscal year 2022. Of this amount, $2,299 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to postemployment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. TSA's proportion of the net OPEB liability (asset) was based on TSA's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Note 9 - Defined Benefit OPEB Plans (continued)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.02138820%	0.023925510%	
Current Measurement Date	0.02343050%	0.023712525%	
Change in Proportionate Share	0.00204230%	0.000212985%	
Proportionate Share of the:			
Net OPEB Liability	$443,441	$0	$443,441
Net OPEB Asset	$0	$499,959	$499,959
OPEB Expense	($14,162)	($39,293)	($53,455)

At June 30, 2022, TSA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$4,727	$17,802	$22,529
Changes of Assumptions	69,566	31,935	101,501
Changes in Proportionate Share and Difference Between TSA Contributions and Proportionate Share of Contributions	41,709	9,336	51,045
TSA Contributions Subsequent to the Measurement Date	2,299	0	2,299
Total Deferred Outflows of Resources	$118,301	$59,073	$177,374
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$220,854	$91,602	$312,456
Changes of Assumptions	60,726	298,262	358,988
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	9,634	138,580	148,214
Changes in Proportionate Share and Difference between TSA Contributions and Proportionate Share of Contributions	51,182	14,885	66,067
Total Deferred Inflows of Resources	$342,396	$543,329	$885,725

Note 9 - Defined Benefit OPEB Plans (continued)

$2,299 reported as deferred outflows of resources related to OPEB resulting from TSA contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($59,526)	($140,931)	($200,457)
2024	(59,594)	(137,466)	(197,060)
2025	(53,417)	(128,262)	(181,679)
2026	(37,478)	(58,313)	(95,791)
2027	(13,717)	(19,721)	(33,438)
Thereafter	(2,662)	437	(2,225)
Total	($226,394)	($484,256)	($710,650)

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 modification as actual results are compared with past expectations and new estimates are made about the future.

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

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

Note 9 - Defined Benefit OPEB Plans (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below.

Inflation	2.4 percent	3 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent
Investment Rate of Return	7 percent net of investment expense, including inflation	7.5 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.4 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.4 percent	7 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward one year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the 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, 2020.

Note 9 - Defined Benefit OPEB Plans (continued)

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 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7 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 ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 1.5 percent of projected covered employee payroll each year which includes a 1.5 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 all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index Rate is 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. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of TSA'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 rates. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) or one percentage point higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.4 percent) and one percentage point higher (7.75 percent decreasing to 5.4 percent) than the current rate.

Note 9 - Defined Benefit OPEB Plans (continued)

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
TSA's Proportionate Share of the Net OPEB Liability	$549,478	$443,441	$358,732

	1% Decrease (5.75% Decreasing to 3.4%)	Current Trend Rate (6.75% Decreasing to 4.4%)	1% Increase (7.75% Decreasing to 5.4%)
TSA's Proportionate Share of the Net OPEB Liability	$341,414	$443,441	$579,719

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below.

	June 30, 2021	June 30, 2020
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5 percent initial, 4 percent ultimate	5 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were 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.

Note 9 - Defined Benefit OPEB Plans (continued)

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

The non Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

Discount Rate - The discount rate used to measure the total OPEB liability was 7 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7 percent was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity of TSA's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7 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 percent) or one percentage point higher (8 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
TSA's Proportionate Share of the Net OPEB Asset	$421,888	$499,959	$565,176

	1% Decrease	Current Trend Rate	1% Increase
TSA's Proportionate Share of the Net OPEB Asset	$562,533	$499,959	$422,581

Changes Between the Measurement Date and the Reporting date - In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

Note 10 - Other Employee Benefits

TSA provides medical benefits through Paramount Health Care, and vision and dental benefits through the Guardian Life Insurance Company. The Board pays the entire monthly premium, except for part-time employees who pay a pro-rated portion for their benefits.

TSA also provides life insurance to active full-time employees through the Guardian Life Insurance Company.

Note 11 - Long-Term Obligations

Changes in TSA's long-term obligations during fiscal year 2022 were as follows:

	Balance at 6/30/21	Additions	Reductions	Balance at 6/30/22	Amounts Due Within One Year
Revenue Bonds from Direct Replacement					
FY 2008 Development Revenue Bonds - 3.3%	$1,734,169	$0	$210,833	$1,523,336	$220,000
FY 2022 Development Revenue Bonds - 4.22%	0	4,110,000	0	4,110,000	0
Total Revenue Bonds from Direct Replacement	1,734,169	4,110,000	210,833	5,633,336	220,000
Loans Payable from Direct Placement					
FY 2014 Loan - 4.9%	878,338	0	92,293	786,045	96,676
Net Pension Liability					
SERS	1,524,768	0	587,238	937,530	0
STRS	5,789,123	0	2,757,265	3,031,858	0
Total Net Pension Liability	7,313,891	0	3,344,503	3,969,388	0
Net OPEB Liability					
SERS	464,836	0	21,395	443,441	0
Leases Payable	11,903	0	9,461	2,442	2,442
Total Long-Term Obligations	$10,403,137	$4,110,000	$3,678,485	$10,834,652	$319,118

FY 2008 Development Revenue Bonds - On December 19, 2007, Toledo Lucas County Port Authority issued bonds on behalf of TSA, in the amount of $3,750,000, for building acquisition and improvement. Of this amount, $247,500 was not capitalized. The bonds were issued for a twenty year period, with final maturity in fiscal year 2028.

During fiscal year 2019, Toledo Lucas County Port Authority refinanced the remaining FY2008 Development Revenue Bonds held on behalf of the Toledo School for the Arts. The refinancing resulted in an interest rate decrease from 5.5 percent to 3.3 percent. Final maturity did not change.

Note 11 - Long-Term Obligations (continued)

The bonds are also subject to mandatory sinking redemption at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on each May 15 and November 15, in the following principal amounts and in the years specified:

Year	May 15 Principal Amount	November 15 Principal Amount
2022	$105,000	$110,000
2023	110,000	110,000
2024	115,000	115,000
2025	120,000	120,000
2026	120,000	125,000
2027	125,000	125,000
2028	247,500	0

FY 2022 Development Revenue Bonds - On June 7, 2022, Toledo Lucas County Port Authority issued bonds on behalf of TSA, in the amount of $4,110,000, for building acquisition and improvement. As of June 30, 2022, none of the proceeds have been spent. The bonds were issued for a twenty year period, with final maturity in fiscal year 2042.

The bonds are also subject to mandatory sinking redemption at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on each May 15 and November 15, in the following principal amounts and in the years specified:

Year	May 15 Principal Amount	November 15 Principal Amount
2025	$0	$25,000
2026	25,000	30,000
2027	35,000	40,000
2028	45,000	50,000
2029	55,000	60,000
2030	65,000	70,000
2031	80,000	105,000
2032	110,000	115,000
2033	125,000	130,000
2034	135,000	140,000
2035	145,000	150,000
2036	155,000	155,000
2037	160,000	165,000
2038	175,000	180,000
2039	185,000	190,000
2040	195,000	200,000
2041	200,000	205,000
2042	210,000	0

Note 11 - Long-Term Obligations (continued)

FY 2014 Loan - On October 20, 2013, TSA obtained a loan from the Toledo Lucas County Port Authority for building acquisition and improvement. TSA received $342,666 in fiscal year 2014 and $1,018,786 in fiscal year 2015, for a total loan of $1,361,452. The loan was issued for a fourteen year period, with final maturity in fiscal year 2029.

Principal and interest requirements to retire outstanding long-term obligations at June 30, 2022, were as follows:

	Development Revenue Bonds from Direct Placement	
Fiscal Year Ending June 30,	Principal	Interest
2023	$220,000	$226,132
2024	225,833	218,858
2025	235,834	211,323
2026	290,833	202,945
2027	315,000	192,699
2028-2032	1,030,836	804,629
2033-2037	1,410,000	573,920
2038-2042	1,905,000	229,146
Total	$5,633,336	$2,659,652

	Loans Payable from Direct Placement	
Fiscal Year Ending June 30,	Principal	Interest
2023	$96,676	$35,775
2024	101,267	31,184
2025	106,076	26,375
2026	111,114	21,337
2027	116,391	16,060
2028-2029	254,521	13,645
Total	$786,045	$144,376

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability. For additional information related to the net pension/OPEB liability, see Notes 8 and 9 to the basic financial statements.

TSA has an outstanding agreement for lease copiers. Due to the implementation of GASB Statement No. 87, this lease has met the criteria of leaes thus requiring it be recorded by TSA. The future lease payments were discounted based on the interst rate implicit in the lease or using TSA's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease.

Note 11 - Long-Term Obligations (continued)

A summary of the principal and interest amounts for the remaining leases is as follows:

	Governmental Activities	
Year	Principal	Interest
2023	$2,442	$51

Note 12 - Contingencies

A. Grants

TSA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TSA at June 30, 2022.

B. Litigation

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

C. Full Time Equivalency

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 Revised Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in additional adjustments to the enrollment information as well as claw backs of foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on TDA for fiscal year 2022. As a result of the fiscal year 2022 FTE Reviews, ODE owes TSA $327. See Note 5.

TSA's September 14, 2022, and November 12, 2022, foundation settlement receipts included the first and second FTE adjustments for fiscal year 2022. The September 14, 2022 settlement resulted in an increase of $327, which has been recorded as a receivables in Note 5. The November 12, 2022 settlement resulted in a decrease of $5. This amount is not material to TSA's financial statements and has not been recorded.

<u>Note 12 - Contingencies</u> (continued)

In addition, TSA's contract with their Sponsor requires payments based on revenues received from the State. TSA is required to pay 2 percent of amounts received from enrollment adjustments back to their Sponsor. As discussed above, additional FTE adjustments for fiscal year 2022 have been finalized. TSA increased the amount paid to Bowling Green State University by $6 in fiscal year 2023. This amount is not material to TSA's financial statements in fiscal at fiscal year end and not been recorded.

<u>Note 13 - COVID-19</u>

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, TSA received COVID-19 funding. TSA's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of TSA. The impact on TSA's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

<u>Note 14 - Related Party Transactions</u>

TSA entered into a bridge loan agreement and letter of credit with Waterford Bank, N.A., in the amount of $4,650,000 and $404,000, respectively, related to the FY 2022 Development Revenue Bonds issued. A member of the governing board is employed with Waterford Bank, N.A.

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Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2022	2021	2020	2019
TSA's Proportion of the Net Pension Liability	0.02540930%	0.02305290%	0.02193700%	0.02300490%
TSA's Proportionate Share of the Net Pension Liability	$937,530	$1,524,768	$1,312,529	$1,317,534
TSA's Employee Payroll	$889,293	$824,643	$759,237	$759,163
TSA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	105.42%	184.90%	172.87%	173.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

Amounts presented as of the TSA's measurement date which is prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014
0.02410230%	0.02407540%	0.02240780%	0.02187400%	0.02187400%
$1,440,059	$1,762,097	$1,278,611	$1,107,031	$1,300,777
$790,757	$753,707	$688,763	$599,557	$515,023
182.11%	233.79%	185.64%	184.64%	252.57%
69.50%	62.98%	69.16%	71.70%	65.52%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2022	2021	2020	2019
TSA's Proportion of the Net Pension Liability	0.023712525%	0.023925510%	0.02400330%	0.02415167%
TSA's Proportionate Share of the Net Pension Liability	$3,031,858	$5,789,123	$5,308,186	$5,310,400
TSA's Employee Payroll	$2,937,571	$2,871,221	$2,881,364	$2,766,536
TSA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	103.21%	201.63%	184.22%	191.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.30%	77.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the TSA's measurement date which is prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014
0.02362770%	0.02455159%	0.02417619%	0.02317397%	0.02317397%
$5,612,812	$8,218,157	$6,681,591	$5,636,712	$6,714,414
$2,573,779	$2,597,171	$2,542,593	$2,431,746	$2,123,638
218.08%	316.43%	262.79%	231.80%	316.18%
75.30%	66.80%	72.10%	74.70%	69.30%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2022	2021	2020	2019
TSA's Proportion of the Net OPEB Liability	0.02343050%	0.02138820%	0.02067410%	0.02213370%
TSA's Proportionate Share of the Net OPEB Liability	$443,441	$464,836	$519,910	$614,048
TSA's Employee Payroll	$889,293	$824,643	$759,237	$759,163
TSA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	49.86%	56.37%	68.48%	80.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%

(1) Information prior to 2017 is not available.

Amounts presented as of the TSA's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017
0.02380680%	0.02299380%
$638,912	$655,408
$790,757	$753,707
80.80%	86.96%
12.46%	11.49%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2022	2021	2020	2019
TSA's Proportion of the Net OPEB Liability (Asset)	0.023712525%	0.023925510%	0.02400330%	0.02415167%
TSA's Proportionate Share of the Net OPEB Liability (Asset)	($499,959)	($420,490)	($397,551)	($388,093)
TSA's Employee Payroll	$2,937,571	$2,871,221	$2,881,364	$2,766,536
TSA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-17.02%	-14.64%	-13.80%	-14.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%	176.00%

(1) Information prior to 2017 is not available.

Amounts presented as of the TSA's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017
0.02362770%	0.02455159%
$921,866	$1,313,025
$2,573,779	$2,597,171
35.82%	50.56%
47.10%	37.30%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$94,114	$124,501	$115,450	$102,497
Contributions in Relation to the Contractually Required Contribution	(94,114)	(124,501)	(115,450)	(102,497)
Contribution Deficiency (Excess)	$0	$0	$0	$0
TSA's Employee Payroll	$672,243	$889,293	$824,643	$759,237
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	$2,299	$2,263	$1,756	$7,946
Contributions in Relation to the Contractually Required Contribution	(2,299)	(2,263)	(1,756)	(7,946)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.34%	0.25%	0.21%	1.05%
Total Contributions as a Percentage of Employee Payroll (2)	14.34%	14.25%	14.21%	14.55%

(1) TSA's covered payroll is the same for Pension and OPEB
(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014	2013
$102,487	$110,706	$105,519	$90,779	$83,099	$71,279
(102,487)	(110,706)	(105,519)	(90,779)	(83,099)	(71,279)
$0	$0	$0	$0	$0	$0
$759,163	$790,757	$753,707	$688,763	$599,557	$515,023
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
$10,403	$9,962	$5,611	$14,263	$5,900	$3,944
(10,403)	(9,962)	(5,611)	(14,263)	(5,900)	(3,944)
$0	$0	$0	$0	$0	$0
1.37%	1.26%	0.74%	2.07%	0.98%	0.77%
14.87%	15.26%	14.74%	15.25%	14.84%	14.61%

Toledo School for the Arts
Required Supplementary Information
Schedule of TSA's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$431,804	$411,260	$401,971	$403,391
Contributions in Relation to the Contractually Required Contribution	(431,804)	(411,260)	(401,971)	(403,391)
Contribution Deficiency (Excess)	$0	$0	$0	$0
TSA Employee Payroll	$3,084,314	$2,937,571	$2,871,221	$2,881,364
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
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
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014	2013
$387,315	$360,329	$363,604	$355,963	$316,127	$276,073
(387,315)	(360,329)	(363,604)	(355,963)	(316,127)	(276,073)
$0	$0	$0	$0	$0	$0
$2,766,536	$2,573,779	$2,597,171	$2,542,593	$2,431,746	$2,123,638
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
$0	$0	$0	$0	$24,317	$21,236
0	0	0	0	(24,317)	(21,236)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2022, an assumption of 2 percent was used for COLA or Ad Hoc COLA. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7 percent net of system expenses	7.5 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward one year and adjusted 94.2 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation.

These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.5 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0 percent, effective July 1, 2017	0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.4 percent	3 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent
Investment Rate of Return	7 percent net of investment expense, including inflation	7.5 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
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 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions - STRS

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

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.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.

Changes in Benefit Terms - STRS OPEB

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 2020.

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 2020, there was no change to the claims cost 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 2021, there was no change to the claims cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Assistance Listing Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster:		
School Breakfast Program	10.553	$33,803
National School Lunch Program:		
Cash Assistance	10.555	219,209
COVID-19 Cash Assistance	10.555	500
Non-Cash Assistance (Food Distribution)	10.555	9,816
Total National School Lunch Program		229,525
Total Child Nutrition Cluster		263,328
Pandemic EBT Administrative Costs	10.649	614
Total U.S. Department of Agriculture		**263,942**
U.S. DEPARTMENT OF TREASURY		
Passed Through Ohio Department of Education		
COVID-19 Coronavirus Relief Fund - BroadbandOhio Connectivity	21.019	773
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Title I:		
Title I Grants to Local Education Agencies	84.010	207,856
Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	11,385
Total Title I		219,241
Special Education Cluster:		
Special Education Grants to States	84.027	133,653
American Rescue Plan IDEA	84.027X	33,849
Total Special Education Cluster		167,502
Improving Teacher Quality State Grants	84.367	32,428
Student Support and Academic Enrichment Program	84.424	6,064
COVID-19 Education Stabilization Fund:		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	110,574
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	744,357
Total COVID-19 Education Stabilization Fund		854,931
Total U.S. Department of Education		**1,280,166**
Total Expenditures of Federal Awards		**$1,544,881**

The accompanying notes are an integral part of this schedule.

TOLEDO SCHOOL FOR THE ARTS
LUCAS COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Toledo School for the Arts, Lucas County, Ohio (the School) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The School reports commodities consumed on the Schedule at the entitlement value**.** The School allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

OHIO AUDITOR OF STATE
KEITH FABER

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

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43604

To the Board of Directors:

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 *(Government Auditing Standards)*, the financial statements of Toledo School for the Arts, Lucas County, Ohio, (the School) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 12, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2023

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Toledo School for the Arts
Lucas County
333 14th Street
Toledo, Ohio 43604

To the Board of Directors:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Toledo School for the Arts, Lucas County, Ohio's (the School) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Toledo School for the Arts' major federal program for the year ended June 30, 2022. Toledo School for the Arts' major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Toledo School for the Arts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The School's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2023

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**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Education Stabilization Fund
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO SCHOOL FOR THE ARTS

LUCAS 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 1/31/2023

88 East Broad Street, Columbus, Ohio 43215
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