# KIDS CARE ELEMENTARY
## FRANKLIN COUNTY, OHIO

## AUDIT REPORT

## FOR THE FISCAL YEAR
## ENDED JUNE 30, 2023

***Zupka & Associates***
**Certified Public Accountants**

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Kids Care Elementary
3400 Kohr Boulevard
Columbus, Ohio 43224

We have reviewed the *Independent Auditor's Report* of the Kids Care Elementary, Franklin County, prepared by Zupka & Associates, for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

**March 07, 2024**

**This page intentionally left blank.**

**KIDS CARE ELEMENTARY**
**FRANKLIN COUNTY, OHIO**
**AUDIT REPORT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

**This page intentionally left blank.**

# INDEPENDENT AUDITOR'S REPORT

Kids Care Elementary
Franklin County
3400 Kohr Boulevard
Columbus, Ohio 43224

To the Members of the Board:

## Report on the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of the Kids Care Elementary, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Kids Care Elementary as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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 (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 opinion.

### *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 Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Zupka & Associates

Zupka & Associates
Certified Public Accountants

January 31, 2024

*This page intentionally left blank.*

The management's discussion and analysis of the Kids Care Elementary (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

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

## Financial Highlights

Key financial highlights for the School are as follows:

- Total net position of the School increased $173,191 during the fiscal year. Ending net position of the School was negative $110,488 compared with negative $283,679 at June 30, 2022.

- Total assets increased $399,952 from the prior fiscal year and total liabilities increased by $284,405 during this same 12-month period.

- The School's operating loss for fiscal year 2023 was $668,586.

- Total revenues decreased by $259,582 while expenses decreased $323,385 during the same period.

## Using this Annual Financial Report

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

*Statement of Net Position*

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

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

## Financial Analysis

Table 1 provides a summary of the School's net position at June 30, 2023.

**Table 1**
**Net Position**

| | 2023 | 2022 | Change |
|---|---|---|---|
| Assets: | | | |
| Current and Other Assets | $ 941,500 | $ 536,982 | $ 404,518 |
| Capital Assets, Net | 6,435 | 13,101 | (6,666) |
| Net OPEB Asset | 101,048 | 98,948 | 2,100 |
| Total Assets | 1,048,983 | 649,031 | 399,952 |
| Total Deferred Outflows of Resources | 566,875 | 884,489 | (317,614) |
| Liabilities | | | |
| Current Liabilities | 217,569 | 184,992 | 32,577 |
| Other Noncurrent Liabilities | 33,334 | 66,668 | (33,334) |
| Net Pension Liability | 1,053,326 | 747,235 | 306,091 |
| Net OPEB Liability | 47,399 | 68,328 | (20,929) |
| Total Liabilities | 1,351,628 | 1,067,223 | 284,405 |
| Total Deferred Inflows of Resources | 374,718 | 749,976 | (375,258) |
| Net Position: | | | |
| Investment in Capital Assets | 6,435 | 13,101 | (6,666) |
| Restricted | 255,687 | 158,134 | 97,553 |
| Unrestricted | (372,610) | (454,914) | 82,304 |
| Total Net Position | $ (110,488) | $ (283,679) | $ 173,191 |

Current assets increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of an increase in cash and cash equivalents in operating funds due to management decisons.

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

Table 2 provides a summary of the School's change in net position for fiscal year ended June 30, 2023 compared to the prior year.

**Table 2**
**Changes in Net Position**

| | 2023 | 2022 | Change |
|---|---|---|---|
| Operating Revenues: | | | |
| Foundation Revenues | $ 1,046,434 | $ 1,009,148 | $ 37,286 |
| Other Unrestricted Grants | 8,394 | 75,676 | (67,282) |
| Total Operating Revenue | 1,054,828 | 1,084,824 | (29,996) |
| Operating Expenses: | | | |
| Salaries | 549,488 | 639,589 | (90,101) |
| Fringe Benefits | 378,284 | 351,064 | 27,220 |
| Purchased Services | 656,445 | 816,116 | (159,671) |
| Materials and Supplies | 91,776 | 213,027 | (121,251) |
| Depreciation | 6,666 | 7,738 | (1,072) |
| Other | 40,755 | 19,265 | 21,490 |
| Total Operating Expenses | 1,723,414 | 2,046,799 | (323,385) |
| Non-Operating Revenues: | | | |
| Federal Subsidies | 578,025 | 835,876 | (257,851) |
| State Subsidies | 263,752 | 235,487 | 28,265 |
| Total Non-Operating Revenues | 841,777 | 1,071,363 | (229,586) |
| Change in Net Position | 173,191 | 109,388 | 63,803 |
| Net Position, Beginning of Year | (283,679) | (393,067) | |
| Net Position, End of the Year | $ (110,488) | $ (283,679) | |

Federal Subsidies decreased significantly in comparison with the prior fiscal year. This decrease is primarily due to the decrease in federal grants received by the School related to the COVID-19 pandemic.

Total Expenses decreased in comparison with the prior fiscal year. This is primarily due to spending of federal grants related to the COVID-19 pandemic.

**Capital Assets**

At fiscal year-end, the School's investment in capital assets decreased in comparison with the prior fiscal year due to depreciation. See Note 5 of the basic financial statements for additional details.

**Debt**

At fiscal year-end, the School's line of credit balance decreased in comparison with the prior fiscal year-end due to principal payments. See Note 6 of the basic financial statements for additional details.

**Current Financial Issues**

The future financial stability of the School is not without challenges. There will continue to be challenges outside of the School's control (i.e. – the economy, the state budget). Since the primary source of funding is the state foundation program, an economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

**Contacting the School's Financial Management**

This financial report is designed to provide a general overview of the finances of the Kids Care Elementary and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Kids Care Elementary, 3400 Kohr Blvd, Columbus, OH 43224.

**Kids Care Elementary**
**Franklin County, Ohio**
*Statement of Net Position*
*As of June 30, 2023*

| | |
|---|---|
| **Assets:** | |
| Current Assets | |
| Cash and Cash Equivalents | $ 775,712 |
| Intergovernmental Receivable | 162,977 |
| Prepaid Items | 2,811 |
| Total Current Assets | 941,500 |
| Noncurrent Assets | |
| Capital Assets, Net of Accumulated Depreciation | 6,435 |
| Net OPEB Asset | 101,048 |
| Total Noncurrent Assets | 107,483 |
| Total Assets | 1,048,983 |
| **Deferred Outflows of Resources:** | |
| Pension | 473,076 |
| OPEB | 93,799 |
| Total Deferred Outflows of Resources | 566,875 |
| **Liabilities:** | |
| Current Liabilities | |
| Accounts Payable | 114,886 |
| Accrued Wages Payable | 58,662 |
| Intergovernmental Payable | 9,147 |
| Unearned Revenue | 1,541 |
| Line of Credit Payable | 33,333 |
| Total Current Liabilities | 217,569 |
| Noncurrent Liabilities: | |
| Line of Credit Payable | 33,334 |
| Net Pension Liability | 1,053,326 |
| Net OPEB Liability | 47,399 |
| Total Noncurrent Liabilities | 1,134,059 |
| Total Liabilities | 1,351,628 |
| **Deferred Inflows of Resources:** | |
| Pension | 231,039 |
| OPEB | 143,679 |
| Total Deferred Inflows of Resources | 374,718 |
| **Net Position:** | |
| Investment in Capital Assets | 6,435 |
| Restricted | 255,687 |
| Unrestricted | (372,610) |
| Total Net Position | $ (110,488) |

See accompanying notes to the basic financial statements.

**Kids Care Elementary**
**Franklin County, Ohio**
*Statement of Revenues, Expenses and Changes in Net Position*
*For the Fiscal Year Ended June 30, 2023*

| | |
|---|---|
| **Operating Revenues:** | |
| Foundation Payments | $ 1,046,434 |
| Other Unrestricted Grants | 8,394 |
| Total Operating Revenues | 1,054,828 |
| **Operating Expenses:** | |
| Salaries | 549,488 |
| Fringe Benefits | 378,284 |
| Purchased Services | 656,445 |
| Materials and Supplies | 91,776 |
| Depreciation | 6,666 |
| Other | 40,755 |
| Total Operating Expenses | 1,723,414 |
| Operating Loss | (668,586) |
| **Non-Operating Revenues:** | |
| Federal Subsidies | 578,025 |
| State Subsidies | 263,752 |
| Total Non-Operating Revenues | 841,777 |
| Change in Net Position | 173,191 |
| Net Position, Beginning of Year | (283,679) |
| Net Position, End of Year | $ (110,488) |

See accompanying notes to the basic financial statements.

**Kids Care Elementary**
**Franklin County, Ohio**
*Statement of Cash Flows*
*For the Fiscal Year Ended June 30, 2023*

| | | |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Cash Received from Foundation Payments | $ | 1,047,070 |
| Cash Received from Other Unrestricted Grants | | 8,394 |
| Cash Payments for Personal Services | | (713,859) |
| Cash Payments for Purchased Services | | (644,628) |
| Cash Payments for Supplies and Materials | | (61,082) |
| Cash Payments for Miscellaneous | | (40,755) |
| **Net Cash Used for Operating Activities** | | (404,860) |
| | | |
| Cash Flows from Noncapital Financing Activities: | | |
| Cash Received from Federal and State Subsidies | | 785,997 |
| Cash Payments on Line of Credit | | (33,334) |
| **Net Cash Provided by Noncapital Financing Activities** | | 752,663 |
| | | |
| **Net Increase in Cash and Cash Equivalents** | | 347,803 |
| | | |
| Cash and Cash Equivalents at Beginning of Year | | 427,909 |
| Cash and Cash Equivalents at End of Year | $ | 775,712 |
| | | |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | | |
| | | |
| Operating Loss | $ | (668,586) |
| | | |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities | | |
| Depreciation | | 6,666 |
| Changes in Assets, Deferred Outflows of Resources, and Liabilities: | | |
| Prepaid Items | | 5,357 |
| Intergovernmental Receivable | | (4,751) |
| Accounts Payable | | 37,154 |
| Intergovernmental Payable | | (1,472) |
| Accrued Wages | | (4,646) |
| Net Pension Liability and Related Deferrals | | 219,744 |
| Net OPEB Asset/Liability and Related Deferrals | | 5,674 |
| **Net Cash Used for Operating Activities** | $ | (404,860) |

See accompanying notes to the basic financial statements.

## NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Kids Care Elementary (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The School, which is part of the State's education program, is independent of any school and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (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 the school's tax exempt status.

St. Aloysius Orphanage is the School's sponsor. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School entered into a service agreement with Mangen12, LLC to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 12 and Note 13 for more information.

The School operates under the direction of a Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's instructional/support facility.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of Presentation

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

### Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

## Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

## Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Each year, the School Board of Directors, with the assistance of the School's designated fiscal officer, is required to adopt an annual budget by the thirty-first day of October using the format and guidelines prescribed by the Ohio Department of Education (ODE).

## Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of five thousand dollars. The School does not possess 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.

All reported 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:

| | |
|---|---|
| Land Improvements | 10 years |
| Building and Improvements | 25 years |
| Equipment and Furniture | 3-5 years |
| Vehicles | 5-7 years |

**Cash and Cash Equivalents**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond fiscal year-end 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 expense is reported in the year which services are consumed.

**Deferred Outflows/Inflows of Resources**

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

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

**Accrued Liabilities Payable**

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

> <u>Accounts Payable</u> – payments due for services or goods that were rendered or received during fiscal year 2023.
>
> <u>Accrued Wages Payable</u> – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2023 contract.
>
> <u>Intergovernmental Payable</u> – payments made after year-end for the School's share of retirement contributions and Medicare associated with services rendered during the fiscal year.

**Compensated Absences**

Vacation and sick leave benefits are not carried forward to future fiscal years. The School does not pay sick leave benefits upon termination or retirement.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation and related payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**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.

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

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

## NOTE 3 – DEPOSITS

At June 30, 2023, the bank balance of the School's deposits was $810,441. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", $250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and uncollateralized.

## NOTE 4 - RECEIVABLES

Receivables at June 30, 2023, consisted of intergovernmental receivables, which may arise from pension system overpayments, and grants to be reimbursed. All receivables are considered collectible in full.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

| | Beginning Balance | Additions | Deletions/ Transfers | Ending Balance |
|---|---|---|---|---|
| Capital Assets, Being Depreciated/Amortized | | | | |
| Building | $ 4,670 | $ - | $ - | $ 4,670 |
| Equipment and Furniture | 34,018 | - | - | 34,018 |
| Total Capital Assets, Being Depreciated/Amortized | 38,688 | - | - | 38,688 |
| Less Accumulated Depreciation/Amortization | | | | |
| Building | (4,203) | (467) | | (4,670) |
| Equipment and Furniture | (21,384) | (6,199) | | (27,583) |
| Total Accumulated Depreciation/Amortization | (25,587) | (6,666) | - | (32,253) |
| Total Capital Assets, Being Depreciated/Amortized, Net | 13,101 | (6,666) | - | 6,435 |
| Total Capital Assets, Net | $ 13,101 | $ (6,666) | $ - | $ 6,435 |

## NOTE 6 – LONG TERM OBLIGATIONS

Long term obligations activity for the fiscal year ended June 30, 2023 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Mangen Family Foundation | $ 100,001 | $ - | $ (33,334) | $ 66,667 | $ 33,333 |
| Net Pension Liability | 747,235 | 306,091 | - | 1,053,326 | - |
| Net OPEB Liability | 68,328 | - | (20,929) | 47,399 | - |
| Total Long-term Liabilities | $ 915,564 | $ 306,091 | $ (54,263) | $ 1,167,392 | $ 33,333 |

The School received a line of credit for $100,000 from the Mangen Family Foundation in both 2018 and 2019. The loan carries an interest rate of zero percent and is payable on demand.

Debt-service-to-maturity requirements to retire the Mangen Family Foundation loan are as follows:

| June 30 | Principal |
|---|---|
| 2024 | $ 33,333 |
| 2025 | 33,334 |
| Total | $ 66,667 |

## NOTE 7 – RISK MANAGEMENT

### Property and Liability Insurance

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the School contracted for commercial property liability, employee dishonesty liability, school leader's legal liability, cyber liability, general umbrella liability, and general liability.

Settlement amounts did not exceed coverage amounts in the three prior years. There also have been no significant reductions in coverage compared to prior year.

### Worker's Compensation

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

## 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)*

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 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 healthcare to eligible benefit recipients.

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

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

Age and service requirements for retirement are as follows:

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

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

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 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School's contractually required contribution to SERS was $12,929 for fiscal year 2023.

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

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of 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 50 and after termination of employment.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School's contractually required contribution to STRS was $64,167 for fiscal year 2023. Of this amount, $7,635 was reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.0034351% | 0.00390249% | |
| Prior Measurement Date | 0.0039885% | 0.00469323% | |
| Change in Proportionate Share | -0.0005534% | -0.00079074% | |
| Proportionate Share of the Net Pension Liability | $ 185,797 | $ 867,529 | $ 1,053,326 |
| Pension Expense | $ 51,817 | $ 245,023 | $ 296,840 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

At June 30, 2023, the School 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 | $ 7,525 | $ 11,107 | $ 18,632 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | 30,191 | 30,191 |
| Changes of Assumptions | 1,834 | 103,816 | 105,650 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 24,171 | 217,336 | 241,507 |
| School Contributions Subsequent to the Measurement Date | 12,929 | 64,167 | 77,096 |
| **Total Deferred Outflows of Resources** | $ 46,459 | $ 426,617 | $ 473,076 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 1,220 | $ 3,318 | $ 4,538 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 6,484 | - | 6,484 |
| Changes of Assumptions | - | 78,145 | 78,145 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 19,825 | 122,047 | 141,872 |
| **Total Deferred Inflows of Resources** | $ 27,529 | $ 203,510 | $ 231,039 |

$77,096 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2024 | $ 14,878 | $ 69,634 | $ 84,512 |
| 2025 | (10,390) | 46,726 | 36,336 |
| 2026 | (9,263) | (45,403) | (54,666) |
| 2027 | 10,776 | 87,983 | 98,759 |
| Total | $ 6,001 | $ 158,940 | $ 164,941 |

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022 and June 30, 2021, are presented below:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Inflation | 2.40 percent |
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent |
| Investment Rate of Return | 7.00 percent, net of investment expense, including inflation |
| COLA or Ad Hoc COLA | 2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement |

Mortality rates were based on the PUB-2010 General Employee Amount Weight 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 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.

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | (0.45) % |
| US Equity | 24.75 | 5.37 |
| Non-US Equity Developed | 13.50 | 6.22 |
| Non-US Equity Emerging | 6.75 | 8.22 |
| Fixed Income/Global Bonds | 19.00 | 1.20 |
| Private Equity | 11.00 | 10.05 |
| Real Estate/Real Assets | 16.00 | 4.87 |
| Multi-Asset Strategies | 4.00 | 3.39 |
| Private Debt/Private Credit | 3.00 | 5.38 |
| Total | 100.00 % | |

***Discount Rate*** The total pension liability for 2022 was calculated using the discount rate of 7.00 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 (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ 273,484 | $ 185,797 | $ 111,922 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation, are presented below:

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary Increases | |
| Current Measurement Period | Varies by service from 2.50 percent to 8.50 percent |
| Prior Measurement Period | Varies by age from 2.50 percent to 12.50 percent |
| Payroll Increases | 3.00 percent |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation |
| Discount Rate of Return | 7.00 percent |
| Cost-of-Living Adjustments (COLA) | 0.00 percent effective July 1, 2017 |

For 2022, post-retirement mortality rates for healthy retirees are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

*Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**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 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

***Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ 1,310,520 | $ 867,529 | $ 492,895 |

***Changes between the Measurement Date and the Reporting Date*** The discount rate was adjusted to 7.00 percent for the June 30, 2022 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose social security. The School's liability is 6.2 percent of wages paid.

## NOTE 9 - DEFINED BENEFIT OPEB PLANS

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

***Plan Description - School Employees Retirement System (SERS)***

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, 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, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School's surcharge obligation was $612, which is reported as an intergovernmental payable. The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was equal to its surcharge obligation for fiscal year 2023.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability (asset) was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability (Asset): | | | |
| Current Measurement Date | 0.0033760% | 0.00390249% | |
| Prior Measurement Date | 0.0036103% | 0.00469323% | |
| Change in Proportionate Share | -0.0002343% | -0.00079074% | |
| Proportionate Share of the Net OPEB Liability (Asset) | $ 47,399 | $ (101,048) | |
| OPEB Expense | $ 11,656 | $ (5,370) | $ 6,286 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in OPEB expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 396 | $ 1,464 | $ 1,860 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 243 | 1,758 | 2,001 |
| Changes of Assumptions | 7,542 | 4,306 | 11,848 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 50,203 | 27,275 | 77,478 |
| School Contributions Subsequent to the Measurement Date | 612 | - | 612 |
| **Total Deferred Outflows of Resources** | $ 58,996 | $ 34,803 | $ 93,799 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 30,318 | $ 15,175 | $ 45,493 |
| Changes of Assumptions | 19,457 | 71,652 | 91,109 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 7,077 | - | 7,077 |
| **Total Deferred Inflows of Resources** | $ 56,852 | $ 86,827 | $ 143,679 |

$612 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction/addition to the net OPEB liability/asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2024 | $ 5,353 | $ (10,333) | $ (4,980) |
| 2025 | 2,665 | (9,973) | (7,308) |
| 2026 | 819 | (10,168) | (9,349) |
| 2027 | 1,432 | (3,986) | (2,554) |
| 2028 | (1,090) | (5,781) | (6,871) |
| Thereafter | (7,647) | (11,783) | (19,430) |
| Total | $ 1,532 | $ (52,024) | $ (50,492) |

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

| | |
|---|---|
| Inflation | 2.40 percent |
| Salary Increases, including inflation | 3.25 percent to 13.58 percent |
| Investment Rate of Return | 7.00 percent net of investment expense, including inflation |
| Fiduciary Net Position Depletion | Projected to be 2044 |
| Municipal Bond Index Rate | |
| Measurement Date | 3.69 percent |
| Prior Measurement Date | 1.92 percent |
| Single Equivalent Interest Rate | |
| Measurement Date | 4.08 percent, net of plan investment expense, including price inflation |
| Prior Measurement Date | 2.27 percent, net of plan investment expense, including price inflation |
| Health Care Cost Trend Rate | |
| Medicare | 5.125 percent - 4.40 percent |
| Pre-Medicare | 6.750 percent - 4.40 percent |
| Medical Trend Assumption | 7.00 percent - 4.40 percent |

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 5 years and adjusted 103.3 percent for males and set forward 3 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 1 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.

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

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 2016 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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | (0.45) % |
| US Equity | 24.75 | 5.37 |
| Non-US Equity Developed | 13.50 | 6.22 |
| Non-US Equity Emerging | 6.75 | 8.22 |
| Fixed Income/Global Bonds | 19.00 | 1.20 |
| Private Equity | 11.00 | 10.05 |
| Real Estate/Real Assets | 16.00 | 4.87 |
| Multi-Asset Strategies | 4.00 | 3.39 |
| Private Debt/Private Credit | 3.00 | 5.38 |
| Total | 100.00 % | |

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022 was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make 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, 2022 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 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

***Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.08 percent) and higher (5.08 percent) than the current discount rate (4.08 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate (7.00 percent decreasing to 4.40 percent).

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability | $ 58,871 | $ 47,399 | $ 38,139 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability | $ 36,553 | $ 47,399 | $ 61,566 |

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Projected Salary Increases | Varies by service from 2.5 percent to 8.5 percent | Varies by age from 2.5 percent to 12.50 percent |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent | 3 percent |
| Discount Rate of Return | 7.00 percent | 7.00 percent |
| Health Care Cost Trends | | |
| Medical | | |
| Pre-Medicare | 7.50 percent initial<br>3.94 percent ultimate | 5.00 percent initial<br>4 percent ultimate |
| Medicare | -68.78 percent initial<br>3.94 percent ultimate | -16.18 percent initial<br>4 percent ultimate |
| Prescription Drug | | |
| Pre-Medicare | 9.00 percent initial<br>3.94 percent ultimate | 6.50 percent initial<br>4 percent ultimate |
| Medicare | -5.47 percent initial<br>3.94 percent ultimate | 29.98 percent initial<br>4 percent ultimate |

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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 | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

*Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**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 OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on 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, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

***Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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 | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB (Asset) | $ (93,417) | $ (101,048) | $ (107,586) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB (Asset) | $ (104,812) | $ (101,048) | $ (96,298) |

## NOTE 10 – EMPLOYEE BENEFITS

*Insurance Benefits* - The School has purchased insurance from Medical Mutual Insurance Company to provide employee medical, dental, life, and vision.

## NOTE 11 – PURCHASED SERVICES

During the fiscal year ended June 30, 2023, purchased service expenses for services rendered by various vendors were as follows:

| | |
|---|---|
| Management Services | $ 300,834 |
| Other Professional and Technical Servies | 152,444 |
| Purchase | 92,908 |
| Instruction Services | 7,500 |
| Health Services | 14,749 |
| Data Processing | 10,182 |
| Utitlities | 10,300 |
| Food Contracted Services | 64,841 |
| Other Purchased Services | 2,687 |
| Total | $ 656,445 |

## NOTE 12 – CONTRACTED FISCAL SERVICES

The School is a party to a fiscal services agreement with Mangen12 LLC (M12), which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M12 will perform the following services:

1. Financial Management Services
2. Treasurer/Accounting Services
3. CCIP Administration

## NOTE 13 – SPONSORSHIP AND MANAGEMENT AGREEMENTS

Commencing July 1, 2017, the School was approved for operation under contract with the St. Aloysius Orphanage (the "Sponsor") for a period of seven years. The terms of the contract were negotiated. Sponsorship fees are calculated as 3.0% of the foundation payments received by the School, from the State of Ohio. Sponsorship fees are recorded as professional and technical services within the purchased services expense on the Statement of Revenues, Expenses and Changes in Net Position.

The School entered into an agreement with Entrepreneurial Ventures in Education (EVE) to provide academic services beginning March 1, 2021 for an initial term of four years. Under the agreement, the School will pay an annual fee of 12 percent of state aid received by the School.

## NOTE 14 - CONTINGENCIES

### Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

The effect of any such disallowed claims on the overall financial position of the School at June 30, 2023, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

### Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE review for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has not performed an FTE Review on the School for fiscal year 2023.

As of the date of this report, additional ODE adjustments for fiscal year 2023 have been finalized.

## NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2023, the School has implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 93, paragraphs 13 and 14, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements,* GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the School.

GASB Statement No. 93, paragraphs 13 and 14, provide an exception to the lease modifications guidance in GASB Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The implementation of GASB Statement No. 93 paragraphs 13 and 14, did not have an effect on the financial statements of the School.

GASB Statement No. 94 improves financial reporting by establishing the definitions of public-private and public-public partnership arrangements and availability payment arrangements as well as provides uniform guidance on accounting and financial reporting for transactions that meet the definitions. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the School.

GASB Statement No. 96 improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement also enhances the relevance and reliability of the financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and discloses essential information about the arrangement. The note disclosures also allow the users to understand the scale and important aspects of the SBITA activities and evaluate the obligations and assets resulting from the SBITAs. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the School.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the School.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Kids Care Elementary**
**Franklin County, Ohio**

Schedule of the School's Proportionate Share of the Net Pension Liability

Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | | | |
| School's Proportion of the Net Pension Liability | 0.0034351% | 0.0039885% | 0.0022685% | 0.0014248% | 0.0010043% | 0.0000000% |
| School's Proportionate Share of the Net Pension Liability | $ 185,797 | $ 147,164 | $ 150,043 | $ 85,248 | $ 57,518 | $ - |
| School's Covered Payroll | $ 136,886 | $ 136,379 | $ 80,543 | $ 49,156 | $ 32,319 | $ - |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 135.73% | 107.91% | 186.29% | 173.42% | 177.97% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.82% | 82.86% | 68.55% | 70.85% | 71.36% | 69.50% |
| ***School Teachers Retirement System (STRS)*** | | | | | | |
| School's Proportion of the Net Pension Liability | 0.00390249% | 0.00469323% | 0.00426107% | 0.00251670% | 0.00205786% | 0.00000000% |
| School's Proportionate Share of the Net Pension Liability | $ 867,529 | $ 600,071 | $ 1,031,027 | $ 556,553 | $ 452,477 | $ - |
| School's Covered Payroll | $ 502,707 | $ 589,143 | $ 509,229 | $ 308,578 | $ 263,055 | $ - |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 172.57% | 101.85% | 202.47% | 180.36% | 172.01% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.90% | 87.80% | 75.50% | 77.40% | 77.30% | 75.30% |

(1) Fiscal year 2018 was the School's first year of operation.

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

See accompanying notes to the required supplementary information

**Kids Care Elementary**
**Franklin County, Ohio**

Schedule of School's Contributions - Pension

Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | | | |
| Contractually Required Pension Contribution | $ 12,929 | $ 19,164 | $ 19,093 | $ 11,276 | $ 6,636 | $ 4,363 |
| Contributions in Relation to the Contractually Required Pension Contribution | $ 12,929 | $ 19,164 | $ 19,093 | $ 11,276 | $ 6,636 | $ 4,363 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 92,350 | $ 136,886 | $ 136,379 | $ 80,543 | $ 49,156 | $ 32,319 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 13.50% | 13.50% |
| ***School Teachers Retirement System (STRS)*** | | | | | | |
| Contractually Required Pension Contribution | $ 64,167 | $ 70,379 | $ 82,480 | $ 71,292 | $ 43,201 | $ 36,827 |
| Contributions in Relation to the Contractually Required Pension Contribution | $ 64,167 | $ 70,379 | $ 82,480 | $ 71,292 | $ 43,201 | $ 36,827 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 458,336 | $ 502,707 | $ 589,143 | $ 509,229 | $ 308,578 | $ 263,055 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

(1) Fiscal year 2018 was the School's first year of operation.

See accompanying notes to the required supplementary information

**Kids Care Elementary**
**Franklin County, Ohio**

Schedule of the School's Proportionate Share of the Net OPEB Liability (Asset)

Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS) (1)*** | | | | | | |
| School's Proportion of the Net OPEB Liability | 0.0033760% | 0.0036100% | 0.0020970% | 0.0014650% | 0.0010186% | 0.0000000% |
| School's Proportionate Share of the Net OPEB Liability | $ 47,399 | $ 68,328 | $ 45,564 | $ 36,847 | $ 28,259 | $ - |
| School's Covered Payroll | $ 136,886 | $ 136,379 | $ 80,543 | $ 49,156 | $ 32,319 | $ - |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 34.63% | 50.10% | 56.57% | 74.96% | 87.44% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 30.34% | 24.08% | 18.17% | 15.57% | 13.57% | 12.46% |
| ***School Teachers Retirement System (STRS) (1)*** | | | | | | |
| School's Proportion of the Net OPEB Asset | 0.00390249% | 0.00469300% | 0.00426100% | 0.00251700% | 0.00205786% | 0.00000000% |
| School's Proportionate Share of the Net OPEB Asset | $ (101,048) | $ (98,948) | $ (74,887) | $ (41,688) | $ (33,068) | $ - |
| School's Covered Payroll | $ 502,707 | $ 589,143 | $ 509,229 | $ 308,578 | $ 263,055 | $ - |
| School's Proportionate Share of the Net OPEB Asset as a Percentage of its Covered Payroll | -20.10% | -16.80% | -14.71% | -13.51% | -12.57% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 230.73% | 174.73% | 182.10% | 174.70% | 176.00% | 47.10% |

(1) Fiscal year 2018 was the School's first year of operation.

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

See accompanying notes to the required supplementary information

**Kids Care Elementary**
**Franklin County, Ohio**

Schedule of the School's Contributions - OPEB

Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| ***School Employees Retirement System (SERS) (1)*** | | | | | | |
| Contractually Required OPEB Contribution (2) | $ 612 | $ 1,507 | $ - | $ 129 | $ 1,164 | $ 711 |
| Contributions in Relation to the Contractually Required OPEB Contribution | $ 612 | $ 1,507 | $ - | $ 129 | $ 1,164 | $ 711 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 92,350 | $ 136,886 | $ 136,379 | $ 80,543 | $ 49,156 | $ 32,319 |
| OPEB Contributions as a Percentage of Covered Payroll (2) | 0.66% | 1.10% | 0.00% | 0.16% | 2.37% | 2.20% |
| ***School Teachers Retirement System (STRS) (1)*** | | | | | | |
| Contractually Required OPEB Contribution | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in Relation to the Contractually Required OPEB Contribution | $ - | $ - | $ - | $ - | $ - | $ - |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 458,336 | $ 502,707 | $ 589,143 | $ 509,229 | $ 308,578 | $ 263,055 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Fiscal year 2018 was the School's first year of operation.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

## NOTE 1 - NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

***Changes in Assumptions - SERS***

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Payroll growth assumption was reduced from 3.50 percent to 1.75 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

***Changes in Benefit Terms - SERS***

For fiscal year 2022, cost-of-living adjustments were increased from 2.00 percent to 2.50 percent.

For fiscal year 2021, cost-of-living adjustments were reduced from 2.50 percent to 2.00 percent.

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

***Changes in Assumptions – STRS***

For fiscal year 2022, the Retirement Board approved several changes to the actuarial assumptions. The salary increases were where changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent. The healthy and disabled mortality assumptions were updated to the Pub-2010 mortality tables with generational improvement scale MP-2020.

For fiscal year 2021, the long term expected rate of return was reduced from 7.45 percent to 7.00 percent.

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

***Changes in Benefit Terms - STRS***

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

**NOTE 2 - NET OPEB LIABILITY (ASSET)**

***Changes in Assumptions – SERS***

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

Municipal Bond Index Rate:

| | |
|---|---|
| Fiscal year 2023 | 3.69 percent |
| 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 |

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

| | |
|---|---|
| Fiscal year 2023 | 4.08 percent |
| 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 |

Pre-Medicare Trend Assumption

| | |
|---|---|
| Fiscal year 2023 | 6.75 percent initially, decreasing to 4.40 percent |
| Fiscal year 2022 | 6.75 percent initially, decreasing to 4.40 percent |
| Fiscal year 2021 | 7.00 percent initially, decreasing to 4.75 percent |
| Fiscal year 2020 | 7.00 percent initially, decreasing to 4.75 percent |
| Fiscal year 2019 | 7.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2018 | 7.50 percent initially, decreasing to 4.00 percent |

Medicare Trend Assumption

| | |
|---|---|
| Fiscal year 2023 | 7.00 percent initially, decreasing to 4.40 percent |
| Fiscal year 2022 | 5.125 percent initially, decreasing to 4.40 percent |
| Fiscal year 2021 | 5.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2020 | 5.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2019 | 5.375 percent initially, decreasing to 4.75 percent |
| Fiscal year 2018 | 5.50 percent initially, decreasing to 5.00 percent |

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

***Changes in Assumptions – STRS***

For fiscal year 2022, the healthy and disabled mortality assumptions were updated to the RPub-2010 mortality tables with generational improvement scale MP-2020. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

For fiscal year 2022, the following changes were made to the actuarial assumptions:

- Projected salary increases from 3.25 to 10.75 percent, including wage inflation to varying by service from 2.50 to 8.50 percent
- Medicare medical health care cost trends from -16.18 percent initial to -68.78 percent initial and 4.00 percent ultimate to 3.94 percent ultimate
- Medicare prescription drug health care cost trends from 29.98 percent initial to -5.47 percent initial and 4.00 percent ultimate to 3.94 percent ultimate

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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

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

***Changes in Benefit Terms – STRS***

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on 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 .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kids Care Elementary
Franklin County
3400 Kohr Boulevard
Columbus, Ohio 43224

To the Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kids Care Elementary, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2023, 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 31, 2024.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 have not been 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Zupka & Associates

Zupka & Associates
Certified Public Accountants

January 31, 2024

# SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The prior audit report, as of June 30, 2022, included no citations or instances of noncompliance.

OHIO AUDITOR OF STATE
KEITH FABER

**KIDS CARE ELEMENTARY**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 3/21/2024**