

TOLLES CAREER AND TECHNOLOGY CENTER
MADISON COUNTY
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



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OHIO AUDITOR OF STATE
KEITH FABER



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(800) 282-0370

Board Members
Tolles Career and Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Tolles Career and Technical Center, Madison County, prepared by Millhuff-Stang, CPA, Inc., 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 Tolles Career and Technical Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 03, 2024

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Tolles Career and Technical Center
Madison County
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Independent Auditor's Report

Members of the Board
Tolles Career and Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tolles Career and Technical Center, Madison County, Ohio (the Center), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Tolles Career and Technical Center, Madison County, Ohio, as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, (Government Auditing Standards). 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 Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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 opinions. 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 Center'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 Center'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, the schedules of the Center's proportionate share of the net pension/OPEB liability/asset, and the schedules of Center contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

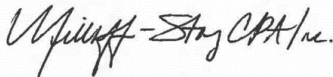
We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

March 15, 2024

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The discussion and analysis of the Tolles Career & Technical Center ("Tolles") financial performance provides an overall review of the Tolles' financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at Tolles' financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the Tolles' financial performance.

Financial Highlights

Key financial highlights for 2023 are as follows:

- Tolles' net position of governmental activities increased \$4,133,556 which represents an 18.96% increase from 2022's net position.
- Governmental activities' general revenues accounted for \$19,619,836 in revenue or 87.70% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,751,660 in revenue or 12.30% of total revenues of \$22,371,496.
- Tolles had \$18,237,940 in expenses related to governmental activities; only \$2,751,660 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,619,836 were adequate to provide for these programs.
- Tolles' only major governmental fund is the general fund. The general fund had \$20,789,145 in revenues and other financing sources and \$16,124,407 in expenditures and other financing uses. The general fund's fund balance increased \$4,664,738 from \$22,493,415 to \$27,158,153.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tolles as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position and statement of activities* provide information about the activities of Tolles, presenting both an aggregate view of Tolles' finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at Tolles' most significant funds with all other non-major funds presented in total in a single column. In the case of Tolles, the general fund is the only major fund.

Reporting Tolles as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities reflect how Tolles did financially during fiscal year 2023. These statements include all assets and liabilities using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report Tolles' *net position* and changes in position. This change in net position is important because it tells the reader whether the *financial position* of Tolles as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include Tolles' property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**TOLLES CAREER & TECHNICAL CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

In the statement of net position and the statement of activities, Tolles reports on the following activity type:

Governmental Activities - Most of Tolles' programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting Tolles' Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about Tolles' major funds. While Tolles uses many funds to account for its financial transactions, the fund financial statements focus on Tolles most significant funds. Tolles' only major governmental fund is the general fund.

Governmental Funds

Tolles' governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. Tolles' basic services are reported in these funds and focus on how money flows into and out of those funds as well as the balances available for spending at fiscal year-end. These funds are reported using the *modified accrual basis of accounting* which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of Tolles' operations. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Tolles' short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Tolles' net pension liability and net OPEB liability (asset).

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Tolles as a Whole

The statement of net position provides the perspective of Tolles as a whole.

	Net Position	
	Governmental Activities 2023	Governmental Activities 2022
<u>Assets</u>		
Current and other assets	\$ 43,539,635	\$ 35,253,928
Net OPEB asset	1,341,165	1,107,128
Capital assets, net	10,055,022	10,987,293
Total assets	54,935,822	47,348,349
<u>Deferred Outflows of Resources</u>		
Pension	3,321,608	3,410,965
OPEB	260,606	315,019
Total deferred outflows of resources	3,582,214	3,725,984
<u>Liabilities</u>		
Current liabilities	1,533,366	1,394,341
Long-term liabilities:		
Due within one year	218,178	160,172
Due within more than one year:		
Net pension liability	13,645,755	8,216,608
Net OPEB liability	518,832	702,948
Other amounts	933,777	917,308
Total liabilities	16,849,908	11,391,377
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	12,322,341	9,118,588
Payment in lieu of taxes levied for the next fiscal year	97,625	109,455
Pension	1,501,746	6,890,697
OPEB	1,816,335	1,767,691
Total deferred inflows of resources	15,738,047	17,886,431
<u>Net Position</u>		
Net investment in capital assets	9,921,556	10,811,087
Restricted	460,539	271,210
Unrestricted	15,547,986	10,714,228
Total net position	\$ 25,930,081	\$ 21,796,525

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of Tolles' actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, Tolles' total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$25,930,081. The net investment in capital assets at June 30, 2023 was \$9,921,556. A portion of Tolles' net position, \$460,539, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$15,547,986.

Total assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 12 for more detail. At fiscal year-end, capital assets represented 18.30% of total assets. Capital assets include land, land improvements, buildings and building improvements, furniture and equipment, vehicles, and intangible right to use - leased equipment. Capital assets are used to provide services to the students and are not available for future spending.

The net pension liability increased \$5,429,147 and deferred inflows of resources related to pension decreased \$5,388,951. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Primarily, net investment income on investments at both pension systems were negative for the fiscal year 2022 measurement date that are used for the fiscal year 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous fiscal year's large positive investment returns.

The table below shows the change in net position for fiscal year 2023 and 2022.

	Governmental Activities <u>2023</u>	Governmental Activities <u>2022</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 843,104	\$ 584,569
Operating grants and contributions	1,821,142	1,714,911
Capital grants and contributions	87,414	-
General revenues:		
Property taxes	15,174,894	13,658,282
Payment in lieu of taxes	134,585	109,441
Grants and entitlements	4,068,669	3,455,218
Investment earnings	270,991	116,234
Change in fair value of investments	(40,451)	(225,012)
Other	<u>11,148</u>	<u>30,817</u>
Total revenues	<u>22,371,496</u>	<u>19,444,460</u>

- (Continued)

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Change in Net Position - (Continued)

	Governmental Activities <u>2023</u>	Governmental Activities <u>2022</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 2,334,478	\$ 2,127,282
Special	753,130	739,096
Vocational	8,051,137	5,517,910
Adult/Continuing	330,679	123,314
Other	2,016	219,802
Support services:		
Pupil	930,906	673,045
Instructional staff	187,382	194,215
Board of education	171,170	126,847
Administration	1,663,852	1,352,079
Fiscal	834,833	644,291
Business	-	6,244
Operations and maintenance	2,049,115	1,812,572
Pupil transportation	29,413	25,717
Central	477,515	424,320
Operation of non-instructional services:		
Other non-instructional services	296,099	264,135
Extracurricular activities	123,152	91,079
Interest and fiscal charges	<u>3,063</u>	<u>7,151</u>
Total expenses	<u>18,237,940</u>	<u>14,349,099</u>
Change in net position	4,133,556	5,095,361
Net position at beginning of year	<u>21,796,525</u>	<u>16,701,164</u>
Net position at end of year	<u>\$ 25,930,081</u>	<u>\$ 21,796,525</u>

Governmental Activities

Net position of Tolles' governmental activities increased by \$4,133,556 for the year ended June 30, 2023. The increase was primarily due to the increase in operating and unrestricted grants as well as a decrease in expenses due to pension and OPEB gains recognized for the fiscal year.

Property taxes and grants and entitlements represent 86.00% percent of total Tolles revenues. Program revenues for governmental activities are 12.30% percent of total revenues and are primarily represented by charges for tuition and fees and restricted intergovernmental revenues.

In the area of program revenues, charges for services program revenues increased from extracurricular revenues and contract services. Operating grants and contributions increased primarily due to increased federal grant funding including Governor's Emergency Education Relief (GEER) funding and Coronavirus Relief funding.

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 86.00% of total governmental revenue. Real estate property is reappraised every six years. Property tax revenue increased in fiscal year 2023, due to an increase in assessed valuation. Unrestricted grants and entitlements increased during fiscal year 2023 as compared to fiscal year 2022, due to changes in the state foundation funding model. Investment earnings increased from maturing investments and fluctuating interest rates. A negative change in fair value of investments was reported in fiscal year 2023 stemming from changes in the economy.

Fiscal year 2023 expenses increased by \$3,888,841 or 27.10%. This increase was the result of a increase in expenses incurred at the pension system level for STRS and SERS due to a decrease in net investment income on investments compared to previous years.

The major program expense for governmental activities is for instruction, which is 62.90% percent of all governmental expenses.

The table below indicates the total cost of services and the net cost of services for the governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlement.

Governmental Activities

	Total Cost of Services <u>2023</u>	Net Cost of Services <u>2023</u>	Total Cost of Services <u>2022</u>	Net Cost of Services <u>2022</u>
Program expenses				
Instruction:				
Regular	\$ 2,334,478	\$ 2,334,478	\$ 2,127,282	\$ 2,118,955
Special	753,130	408,445	739,096	211,824
Vocational	8,051,137	6,513,808	5,517,910	4,548,843
Adult/Continuing	330,679	111,154	123,314	8,205
Other	2,016	1,016	219,802	218,927
Support services:				
Pupil	930,906	911,130	673,045	618,011
Instructional staff	187,382	184,464	194,215	177,010
Board of education	171,170	171,170	126,847	126,847
Administration	1,663,852	1,533,999	1,352,079	1,280,043
Fiscal	834,833	834,833	644,291	644,291
Business	-	-	6,244	6,244
Operations and maintenance	2,049,115	1,899,080	1,812,572	1,789,191
Pupil transportation	29,413	29,413	25,717	25,717
Central	477,515	402,298	424,320	330,424
Other non-instructional services:				
Other non-instructional services	296,099	112,585	264,135	(73,669)
Extracurricular activities	123,152	35,344	91,079	11,605
Interest and fiscal charges	3,063	3,063	7,151	7,151
Total expenses	<u>\$ 18,237,940</u>	<u>\$ 15,486,280</u>	<u>\$ 14,349,099</u>	<u>\$ 12,049,619</u>

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Tolles' Funds

Tolles' governmental funds reported a combined fund balance of \$29,155,400 which is more than last year's total balance of \$24,192,693. The table below indicates the fund balance and the total change in fund balance as of June 30, 2023 and June 30, 2022.

	<u>Fund Balance</u> <u>June 30, 2023</u>	<u>Fund Balance</u> <u>June 30, 2022</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
General	\$ 27,158,153	\$ 22,493,415	\$ 4,664,738	20.74 %
Nonmajor governmental	<u>1,997,247</u>	<u>1,699,278</u>	<u>297,969</u>	17.54 %
Total	<u>\$ 29,155,400</u>	<u>\$ 24,192,693</u>	<u>\$ 4,962,707</u>	20.51 %

General Fund

Tolles' general fund balance increased \$4,664,738 during fiscal year 2023.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes and payments in lieu of taxes	\$ 15,369,874	\$ 13,648,194	\$ 1,721,680	12.61 %
Tuition	99,413	75,407	24,006	31.84 %
Earnings on investments	254,271	123,052	131,219	106.64 %
Intergovernmental	4,957,220	4,111,297	845,923	20.58 %
Other revenues	<u>108,367</u>	<u>(85,843)</u>	<u>194,210</u>	226.24 %
Total	<u>\$ 20,789,145</u>	<u>\$ 17,872,107</u>	<u>\$ 2,917,038</u>	16.32 %
<u>Expenditures</u>				
Instruction	\$ 9,694,954	\$ 8,305,423	\$ 1,389,531	16.73 %
Support services	5,773,828	5,312,673	461,155	8.68 %
Non-instructional services	-	1,023	(1,023)	(100.00) %
Extracurricular activities	34,712	36,021	(1,309)	(3.63) %
Facilities acquisition and construction	-	218,464	(218,464)	(100.00) %
Capital outlay	35,780	-	35,780	%
Debt service	<u>45,803</u>	<u>45,874</u>	<u>(71)</u>	(0.15) %
Total	<u>\$ 15,585,077</u>	<u>\$ 13,919,478</u>	<u>\$ 1,665,599</u>	11.97 %

Taxes and payments in lieu of taxes increased 12.61% due to increased property tax collections from Franklin County and an overall increase in assessed valuation. Tuition and intergovernmental revenue increased as a result of changes to the state foundation funding model and from additional programs offered at Tolles. Earnings on investments increased as a result of maturing investments and higher interest rates in comparison to 2022. Other revenues increased from reporting a negative change in fair value of investments of \$40,451 in comparison to \$225,012 in 2022.

Overall, expenditures increased 11.97% and instruction expenditures increased 16.73% due to an increase in vocational programs being offered at Tolles.

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

General Fund Budgeting Highlights

Tolles' budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal 2023, Tolles amended its general fund budget as needed. Original and final budgeted resources and other financing sources totaled \$19,308,325 and \$20,428,307, respectively. Actual budgeted resources and other financing sources were \$2,951 lower than final budgeted resources.

Original and final budgeted expenditures and other financing uses in the amount of \$18,037,741 and \$16,876,999, respectively. Actual budgeted expenditures and other financing uses were \$47,494 less than final budgeted expenditures. Tolles generally over appropriates in case unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2023, Tolles had \$10,055,022 invested in land, land improvements, buildings and building improvements, furniture and equipment, vehicles, and intangible right to use - leased equipment (net of accumulated depreciation/amortization); all in governmental activities.

See Note 9 for more information about Tolles' capital assets.

Debt Administration

Tolles had \$133,466 in lease obligations outstanding at June 30, 2023, of which \$43,603 is due within one year.

See Note 10 to the basic financial statements for additional information on Tolles' debt administration.

Current Financial Related Activities

Tolles covers a diverse area that includes suburban residential areas of Hilliard, Dublin, Plain City, London, West Jefferson, Fairbanks and Madison Plains, as well as farming communities in Franklin, Madison, Union, Delaware and Fayette Counties.

Tolles has maintained an excellent financial position over the last forty-eight years. In 1972, a 1.8 mill continuing levy was passed. Because of significant growth in Tolles over the years the millage had been reduced. The last reduction was from 1.1 mill to .5 mill effective January 1, 2003. Effective January 1, 2007, Tolles' effective property tax millage was increased from .5 mills to 1.3 mills. In January 2012, the Madison County Budget Commission approved the reinstatement of the remaining portion of Tolles' effective millage rate of .3 mills which results in an overall effective rate of 1.6 mills. In January of 2023, the Madison County Budget Commission approved the reinstatement of the remaining .2 mill portion of Tolles' effective millage rate of which results in an overall effective rate of 1.8 mills. The Tolles Board of Education has approved using the reinstated .2 mills to address aging facilities and to add needed educational space.

The latest five-year forecast as prepared in May 2023 shows a positive cash balance through fiscal year 2027. However, the future financial stability of Tolles is not without challenges. Management will need to ensure resources can be preserved as long as possible by continuing to maintain careful financial planning and prudent fiscal management. An additional challenge is the future of the local economy and state funding of education in Ohio. The recently approved funding formula appears to give a boost to FY24 funding, while changing property valuations cause a state funding reduction in FY25.

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Contacting Tolles' Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of Tolles' finances and to reflect the Center's accountability for monies it receives. Questions concerning any information in this report or requests for additional information should be directed to Tammy Woods, Treasurer, 7877 US Highway 42 South, Plain City, Ohio 43064 or by calling 614-873-4666.

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 24,996,400
Receivables:	
Property taxes	18,158,981
Payment in lieu of taxes	134,590
Accounts	19,527
Accrued interest	38,376
Intergovernmental	124,195
Prepayments	5,040
Materials and supplies inventory	62,526
Net OPEB asset	1,341,165
Capital assets:	
Nondepreciable/amortized capital assets	150,000
Depreciable/amortized capital assets, net	9,905,022
Capital assets, net	10,055,022
Total assets	54,935,822
 Deferred outflows of resources:	
Pension	3,321,608
OPEB	260,606
Total deferred outflows of resources	3,582,214
 Total assets and deferred outflows of resources	 58,518,036
 Liabilities:	
Accounts payable	3,963
Accrued wages and benefits payable	1,223,160
Intergovernmental payable	306,243
Long-term liabilities:	
Due within one year	218,178
Due in more than one year:	
Net pension liability	13,645,755
Net OPEB liability	518,832
Other amounts due in more than one year	933,777
Total liabilities	16,849,908
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	12,322,341
Payment in lieu of taxes levied for the next fiscal year	97,625
Pension	1,501,746
OPEB	1,816,335
Total deferred inflows of resources	15,738,047
 Total liabilities and deferred inflows of resources	 32,587,955
 Net position:	
Net investment in capital assets	9,921,556
Restricted for:	
OPEB plan	278,155
Locally funded programs	16,990
State funded programs	85,396
Student activities	79,998
Unrestricted	15,547,986
Total net position	\$ 25,930,081

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 2,334,478	\$ -	\$ -	\$ -	\$ (2,334,478)
Special	753,130	-	344,685	-	(408,445)
Vocational	8,051,137	230,219	1,307,110	-	(6,513,808)
Adult/continuing	330,679	213,927	5,598	-	(111,154)
Other	2,016	-	1,000	-	(1,016)
Support services:					
Pupil	930,906	8,872	10,904	-	(911,130)
Instructional staff	187,382	46	2,872	-	(184,464)
Board of education	171,170	-	-	-	(171,170)
Administration	1,663,852	126,542	3,311	-	(1,533,999)
Fiscal	834,833	-	-	-	(834,833)
Operations and maintenance	2,049,115	-	62,621	87,414	(1,899,080)
Pupil transportation	29,413	-	-	-	(29,413)
Central	477,515	73,299	1,918	-	(402,298)
Operation of non-instructional services:					
Food service operations	296,099	102,391	81,123	-	(112,585)
Extracurricular activities	123,152	87,808	-	-	(35,344)
Interest and fiscal charges	3,063	-	-	-	(3,063)
Totals	<u>\$ 18,237,940</u>	<u>\$ 843,104</u>	<u>\$ 1,821,142</u>	<u>\$ 87,414</u>	<u>(15,486,280)</u>

General revenues:

Property taxes levied for:	
General purposes	15,174,894
Payments in lieu of taxes	134,585
Grants and entitlements not restricted to specific programs	4,068,669
Investment earnings	270,991
Change in fair value of investments	(40,451)
Miscellaneous	11,148
Total general revenues	<u>19,619,836</u>

Change in net position 4,133,556

Net position at beginning of year 21,796,525

Net position at end of year \$ 25,930,081

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash, cash equivalents and investments	\$ 22,921,862	\$ 2,074,538	\$ 24,996,400
Receivables:			
Property taxes	18,158,981	-	18,158,981
Payment in lieu of taxes	134,590	-	134,590
Accounts	19,481	46	19,527
Accrued interest	38,376	-	38,376
Interfund loans	103,358	-	103,358
Intergovernmental	-	124,195	124,195
Prepayments	4,802	238	5,040
Materials and supplies inventory	62,526	-	62,526
Total assets	<u>\$ 41,443,976</u>	<u>\$ 2,199,017</u>	<u>\$ 43,642,993</u>
Liabilities:			
Accounts payable	\$ 3,282	\$ 681	\$ 3,963
Accrued wages and benefits payable	1,149,708	73,452	1,223,160
Compensated absences payable	49,056	-	49,056
Intergovernmental payable	285,188	21,055	306,243
Interfund loans payable	-	103,358	103,358
Total liabilities	<u>1,487,234</u>	<u>198,546</u>	<u>1,685,780</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	12,322,341	-	12,322,341
Payment in lieu of taxes levied for the next fiscal year	97,625	-	97,625
Delinquent property tax revenue not available	358,331	-	358,331
Intergovernmental revenue not available	-	3,224	3,224
Accrued interest not available	20,292	-	20,292
Total deferred inflows of resources	<u>12,798,589</u>	<u>3,224</u>	<u>12,801,813</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	62,526	-	62,526
Prepays	4,802	238	5,040
Restricted:			
Adult education	-	16,789	16,789
Food service operations	-	2,595	2,595
State funded programs	-	85,396	85,396
Student activities	-	79,998	79,998
Committed:			
Capital improvements	-	1,815,455	1,815,455
Assigned:			
Student instruction	61,941	-	61,941
Student and staff support	943,186	-	943,186
Extracurricular activities	10,801	-	10,801
Other purposes	398,003	-	398,003
Unassigned (deficit)	<u>25,676,894</u>	<u>(3,224)</u>	<u>25,673,670</u>
Total fund balances	<u>27,158,153</u>	<u>1,997,247</u>	<u>29,155,400</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 41,443,976</u>	<u>\$ 2,199,017</u>	<u>\$ 43,642,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total governmental fund balances		\$ 29,155,400
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,055,022
Other long-term assets are not available to pay for current-period expenditure and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 358,331	
Accrued interest receivable	20,292	
Intergovernmental receivable	3,224	
Total	381,847	381,847
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	3,321,608	
Deferred inflows - pension	(1,501,746)	
Net pension liability	(13,645,755)	
Deferred outflows - OPEB	260,606	
Deferred inflows - OPEB	(1,816,335)	
Net OPEB asset	1,341,165	
Net OPEB liability	(518,832)	
Total	(12,559,289)	(12,559,289)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
in the funds.		
Lease payable	(133,466)	
Compensated absences	(969,433)	
Total	(1,102,899)	(1,102,899)
Net position of governmental activities		\$ 25,930,081

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 15,235,289	\$ -	\$ 15,235,289
Intergovernmental	4,957,220	1,014,157	5,971,377
Investment earnings	254,271	-	254,271
Tuition and fees	99,413	415,776	515,189
Extracurricular	6,791	87,808	94,599
Rental income	918	-	918
Charges for services	125,208	102,437	227,645
Contributions and donations	4,753	11,880	16,633
Payment in lieu of taxes	134,585	-	134,585
Miscellaneous	11,148	-	11,148
Change in fair value of investments	(40,451)	-	(40,451)
Total revenues	<u>20,789,145</u>	<u>1,632,058</u>	<u>22,421,203</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,308,770	1,776	2,310,546
Special	775,952	44,410	820,362
Vocational	6,608,375	691,801	7,300,176
Adult/continuing	-	334,672	334,672
Other	1,857	1,000	2,857
Support services:			
Pupil	898,552	50,198	948,750
Instructional staff	177,436	2,882	180,318
Board of education	171,330	-	171,330
Administration	1,470,153	197,965	1,668,118
Fiscal	811,962	-	811,962
Operations and maintenance	1,850,003	63,265	1,913,268
Pupil transportation	27,519	-	27,519
Central	366,873	114,671	481,544
Operation of non-instructional services:			
Food service operations	-	282,013	282,013
Extracurricular activities	34,712	88,766	123,478
Facilities acquisition and construction	35,780	-	35,780
Debt service:			
Principal retirement	42,740	-	42,740
Interest and fiscal charges	3,063	-	3,063
Total expenditures	<u>15,585,077</u>	<u>1,873,419</u>	<u>17,458,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,204,068</u>	<u>(241,361)</u>	<u>4,962,707</u>
Other financing sources (uses):			
Transfers in	-	539,330	539,330
Transfers (out)	(539,330)	-	(539,330)
Total other financing sources (uses)	<u>(539,330)</u>	<u>539,330</u>	<u>-</u>
Net change in fund balances	4,664,738	297,969	4,962,707
Fund balances at beginning of year	22,493,415	1,699,278	24,192,693
Fund balances at end of year	<u>\$ 27,158,153</u>	<u>\$ 1,997,247</u>	<u>\$ 29,155,400</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		\$ 4,962,707
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		(889,687)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position.		(42,584)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
the funds.		
Property taxes	(60,395)	
Earnings on investments	16,720	
Intergovernmental	(6,032)	
Total	(49,707)	(49,707)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		42,740
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,252,603	
OPEB	7,333	
Total	1,259,936	1,259,936
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,382,156)	
OPEB	307,763	
Total	(1,074,393)	(1,074,393)
Some expenses reported in the statement of activities (compensated absences), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(75,456)
Change in net position of governmental activities		\$ 4,133,556

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 14,083,592	\$ 14,864,904	\$ 14,864,898	\$ (6)
Intergovernmental	4,651,494	4,955,815	4,955,793	(22)
Investment earnings	183,142	247,495	247,491	(4)
Rental income	990	920	918	(2)
Payment in lieu of taxes	109,445	109,445	97,620	(11,825)
Miscellaneous	28,698	3,055	11,963	8,908
Total revenues	<u>19,057,361</u>	<u>20,181,634</u>	<u>20,178,683</u>	<u>(2,951)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,709,545	2,306,291	2,305,691	600
Special	881,463	735,272	735,199	73
Vocational	6,993,572	6,331,980	6,299,256	32,724
Other	70,209	46,565	46,456	109
Support services:				
Pupil	1,035,606	896,038	894,732	1,306
Instructional staff	198,435	188,412	188,366	46
Board of education	189,353	204,888	204,864	24
Administration	1,640,510	1,463,249	1,461,928	1,321
Fiscal	1,095,675	806,555	804,487	2,068
Business	5,429	100	-	100
Operations and maintenance	2,125,265	2,740,775	2,740,679	96
Pupil transportation	165,657	44,332	43,563	769
Central	501,292	387,604	379,366	8,238
Extracurricular activities	49,738	46,460	46,450	10
Facilities acquisition and construction	(124,008)	35,785	35,780	5
Total expenditures	<u>17,537,741</u>	<u>16,234,306</u>	<u>16,186,817</u>	<u>47,489</u>
Excess of revenues over expenditures	<u>1,519,620</u>	<u>3,947,328</u>	<u>3,991,866</u>	<u>44,538</u>
Other financing sources (uses):				
Refund of prior year expenditures	150	840	840	-
Transfers in	974	974	974	-
Transfers (out)	(250,000)	(539,335)	(539,330)	5
Advances in	248,840	244,859	244,859	-
Advances (out)	(250,000)	(103,358)	(103,358)	-
Sale of capital assets	1,000	-	-	-
Total other financing sources (uses)	<u>(249,036)</u>	<u>(396,020)</u>	<u>(396,015)</u>	<u>5</u>
Net change in fund balance	1,270,584	3,551,308	3,595,851	44,543
Fund balance at beginning of year	17,337,526	17,337,526	17,337,526	-
Prior year encumbrances appropriated	715,401	715,401	715,401	-
Fund balance at end of year	<u>\$ 19,323,511</u>	<u>\$ 21,604,235</u>	<u>\$ 21,648,778</u>	<u>\$ 44,543</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 - DESCRIPTION OF TOLLES

The Tolles Career & Technical Center (“Tolles”) was organized in 1972 under Section 3311.18 of the Ohio Revised Code. Tolles is a fiscally independent political subdivision of the State of Ohio. Tolles is governed by a seven member Board of Education. Board of Education members are appointed from the membership of the following seven Boards of Education: Dublin City School District, Fairbanks Local School District, Hilliard City School District, Jefferson Local School District, Jonathan Alder Local School District, London City School District, and Madison-Plains Local School District. Tolles had been supported by a 1.6 mill continuing operating levy passed in 1972 and by funds from the State of Ohio Joint Vocational School Foundation Program. At the request of Tolles’ Board of Education, the Madison County Budget Commission reduced Tolles’ continuing operating mills to .5 mills effective January, 2003. On November 20, 2006, the Madison County Budget Commission agreed to reinstate Tolles’ millage to 1.3 mills effective January 1, 2007. In January 2012, the Madison County Budget Commission approved the reinstatement of the remaining portion of Tolles’ effective millage rate of .3 mills which results in an overall effective rate of 1.6 mills.

Tolles provides job training leading to employment upon graduation from high school. Tolles fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. For reporting purposes, Tolles consists of all funds, departments, boards and agencies that are not legally separate from Tolles. For Tolles, this includes general operations, food service, continuing education and student related activities of Tolles.

Component units are legally separate organizations for which Tolles is financially accountable. Tolles is financially accountable for an organization if Tolles appoints a voting majority of the organization’s governing board and (1) Tolles is able to significantly influence the programs or services performed or provided by the organization; or (2) Tolles is legally entitled to or can otherwise access the organization’s resources; Tolles is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or Tolles is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on Tolles in that Tolles approves the budget, issuance of debt, or the levying of taxes. Tolles has no component units.

Tolles participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan, an insurance purchasing pool and with META Solutions, a jointly governed organization. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

Tolles’ basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about Tolles as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net position presents the financial condition of the governmental activities of Tolles at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of Tolles' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of Tolles with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of Tolles.

Fund Financial Statements - During the year, Tolles segregates transactions related to certain Tolles functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of Tolles at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

Tolles uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. Tolles has no proprietary or fiduciary funds.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed.

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balances. Tolles has the following major governmental fund:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to Tolles for any purpose provided it is expended or transferred according to general laws of Ohio.

Other governmental funds of Tolles are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets (b) financial resources that are restricted for debt service and (c) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

C. Measurement Focus/Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of Tolles are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For Tolles, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which Tolles receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes and payment in lieu of taxes are recognized in the fiscal year for which the taxes are levied. 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 year when use is first permitted, matching requirements, in which Tolles must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to Tolles on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, payment in lieu of taxes, tuition, grants, and fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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 and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 11 and 12 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes and payments in lieu of revenue represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 11 and 12 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

On the modified accrual basis of accounting, Tolles has recorded certain receivables where the related revenue is unavailable. Unavailable revenues have been reported as deferred inflows of resources on the governmental fund balance sheet.

Property taxes and payment in lieu of taxes for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance year 2024 operations, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

Tolles is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2023 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for tax rate determination.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, Tolles must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2023.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, Tolles has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The Board legally enacted all supplemental appropriations, during fiscal year 2023. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts, including all amendments approved in the fiscal year.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by Tolles is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Tolles' records. Each fund's interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the basic financial statements.

During fiscal year 2023, investments were limited to federal agency securities, municipal bonds, U.S. Treasury notes, negotiable certificates of deposit (CDs), commercial paper, U.S. Government money market funds, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Tolles invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." Tolles measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2023 amounted to \$254,271, which includes \$27,332 assigned from other Tolles funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by Tolles are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of Tolles' investments at fiscal year-end is provided in Note 4.

G. Inventories

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventories consist of donated and purchased food, and supplies held for resale, and materials and supplies for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items.

I. Capital Assets

Capital assets generally result from expenditures of governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values on the date donated. Tolles maintains a capitalization threshold of \$1,500. Tolles does not have any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and building improvements	15 - 50 years
Furniture and equipment	5 - 25 years
Vehicles	5 - 15 years
Land improvements	15 - 99 years
Intangible right to use:	
Leased equipment	5 years

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tolles is reporting intangible right to use assets related to leased equipment. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as interfund loans receivable/payable. Interfund balances within governmental activities are eliminated on the government wide statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that Tolles will compensate the employees for the benefits through paid time off or some other means. Tolles records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits as well as those that are probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in Tolles' termination policy. Tolles records a liability for accumulated unused sick leave for employees age 50 or older after ten years of service.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which Tolles is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of Tolles' Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Center Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by Tolles for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Tolles applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. 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 are recorded net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Tolles or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Tolles has no restricted assets.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related 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.

S. Fair Value

Tolles categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2023, Tolles has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of Tolles.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of Tolles.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement had no effect on the financial statements of Tolles.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of Tolles.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve 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 GASB Statement No. 99 did not have an effect on the financial statements of Tolles.

B. Deficit Fund Balances

Fund balances at June 30, 2023 included the following individual fund deficit:

<u>Nonmajor funds</u>	<u>Deficit</u>
Vocational education	\$ 3,224

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by Tolles into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in Tolles' treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have no been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirement have been met; and,

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of Tolles, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2023, Tolles had \$2,160 in cash on hand. This amount is reported as "equity in pooled cash, cash equivalents and investments" on the basic financial statements.

B. Deposits with Financial Institutions

At June 30, 2023, the carrying amount of all Tolles deposits was \$7,788,100 and the bank balance of all Tolles deposits was \$8,203,739. Of the bank balance, \$250,000 was covered by the FDIC and \$7,953,739 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, Tolles will not be able to recover deposits or collateral securities that are in the possession of an outside party. Tolles has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to Tolles' and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, Tolles' financial institution was approved for a reduced collateral rate through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject Tolles to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2023, Tolles had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Amortized Cost:</i>						
STAR Ohio	\$ 10,073,486	\$ 10,073,486	\$ -	\$ -	\$ -	\$ -
<i>Fair Value:</i>						
U.S. Government money market	22,709	22,709	-	-	-	-
FHLMC	804,975	44,027	-	244,256	-	516,692
FHLB	357,167	198,343	-	-	158,824	-
FFCB	105,682	-	-	-	-	105,682
Municipal bonds	389,448	244,225	-	145,223	-	-
U.S. Treasury note	96,090	-	-	96,090	-	-
Negotiable CDs	3,427,965	246,553	-	1,591,106	1,215,785	374,521
Commercial paper	1,928,618	1,281,864	646,754	-	-	-
Total	\$ 17,206,140	\$ 12,111,207	\$ 646,754	\$ 2,076,675	\$ 1,374,609	\$ 996,895

The weighted average maturity of investments is 0.53 years.

Tolles' investments in STAR Ohio, U.S. Government money market accounts are valued using quoted market prices in active markets (Level 1 inputs). Tolles' investments in federal agency securities (FHLMC, FHLB, FFCB), municipal bonds, commercial paper and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, Tolles' investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The investments in federal agency securities (FHLMC, FHLB, FFCB) and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The investments in municipal bonds were rated AA and Aa2 by Standard & Poor's and Moody's Investor Services, respectively. The investments in commercial paper were rated A-1+/A-1 and P-1 by Standard & Poor's and Moody's Investor Services. Standard & Poor's has assigned the U.S. Government money market mutual funds and STAR Ohio an AAAM money market rating. Tolles' negotiable certificates of deposit were not rated and are insured by FDIC. Tolles has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Tolles will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S Treasury securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in Tolles' name. Tolles has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: Tolles places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by Tolles at June 30, 2023:

<u>Measurement/Investment Type</u>	Measurement	
	<u>Amount</u>	<u>% to Total</u>
<i>Amortized Cost:</i>		
STAR Ohio	\$ 10,073,486	58.55
<i>Fair Value:</i>		
U.S. Government money market	22,709	0.13
FHLMC	804,975	4.68
FHLB	357,167	2.08
FFCB	105,682	0.61
Municipal bonds	389,448	2.26
U.S. Treasury note	96,090	0.56
Negotiable CDs	3,427,965	19.92
Commercial paper	<u>1,928,618</u>	<u>11.21</u>
Total	<u>\$ 17,206,140</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2023:

Cash and investments per note

Carrying amount of deposits	\$ 7,788,100
Investments	17,206,140
Cash on hand	<u>2,160</u>
Total	<u>\$ 24,996,400</u>

Cash and investments per statement of net position

Governmental activities	<u>\$ 24,996,400</u>
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NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2023 consisted of the following, as reported on the fund financial statements:

<u>Transfers from:</u>	<u>Transfers to:</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds:	
	Adult Education	\$ 230,669
	Nonmajor Capital Projects Fund:	
	Building	<u>308,661</u>
Total Transfers		<u>\$ 539,330</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund balances at June 30, 2023, as reported on the fund financial statements, consist of the following interfund loans receivable/payable:

Receivable Fund	Payable Funds	Amount
General Fund	Nonmajor Special Revenue Funds:	
	Governors Emergency Education Relief (GEER)	\$ 34,748
	Vocational Education	68,610
	Total Interfund Loans Receivable/Payable	\$ 103,358

The primary purpose of the interfund loans is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds have been eliminated on the statement of net position.

NOTE 6 - PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis, while Tolles' fiscal year runs from July through June. They include amounts levied against all real, public utility, and tangible personal property located in Tolles' boundaries. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20. If paid semi-annually, the first payment is usually due January 20, with the remainder payable June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tolles receives property taxes from Madison, Franklin, Union, Delaware and Fayette Counties. Tax settlements are made each February and August for real property and each June and October for personal property taxes.

Accrued property taxes receivable includes the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of fiscal year end, and for which there was an enforceable legal claim. Although, total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The receivable is offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2023 and June 30, 2022 was \$5,118,205 and \$5,478,309, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 - PROPERTY TAXES - (Continued)

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is a deferred inflow of resources.

The full tax rate at the fiscal year ended June 30, 2023 for operations was \$1.60 and \$1.80 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2022 taxes were collected were as follows:

	2022 Second Half Collections		2023 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 9,022,424,040	96.18	\$ 9,399,102,380	96.02
Public utility personal	<u>358,478,110</u>	<u>3.82</u>	<u>389,899,300</u>	<u>3.98</u>
Total	<u>\$ 9,380,902,150</u>	<u>100.00</u>	<u>\$ 9,789,001,680</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 1.60		\$ 1.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2023 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds.

A summary of the receivables follows:

Governmental Activities	<u>Amount</u>
Property taxes	\$ 18,158,981
Payments in lieu of taxes	134,590
Accounts	19,527
Interest	38,376
Intergovernmental	<u>124,195</u>
Total Governmental activities	<u>\$ 18,475,669</u>

NOTE 8 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Enterprise Zones and Community Reinvestment Areas

Other governments entered into property tax abatement agreements with property and business owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of Tolles. The EZAs and CRA program are directive incentive tax exemption programs benefiting property and business owners who renovate or construct new buildings or bring new jobs into the area. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock, the development of new structures, and economic growth. Within the taxing districts of Tolles, certain municipal governments located in the counties of Franklin and Madison have entered into such agreements. Under the agreements entered into by Franklin County and Madison County, Tolles’ property taxes were reduced \$36,219 from EZAs and \$171,712 from CRAs for fiscal year 2023.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - CAPITAL ASSETS

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

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Governmental Activities				
Nondepreciable/amortized capital assets:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Total nondepreciable/amortized capital assets	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Depreciable/amortized capital assets:				
Land improvements	104,016	-	-	104,016
Building and building improvements	22,482,599	-	-	22,482,599
Furniture and equipment	6,904,333	-	(537,837)	6,366,496
Vehicles	272,559	-	(22,500)	250,059
Intangible right to use assets:				
Equipment	<u>218,464</u>	<u>-</u>	<u>-</u>	<u>218,464</u>
Total depreciable/amortized capital assets	<u>29,981,971</u>	<u>-</u>	<u>(560,337)</u>	<u>29,421,634</u>
Accumulated depreciation/amortization:				
Land improvements	(32,170)	(1,129)	-	(33,299)
Building and building improvements	(13,584,513)	(531,606)	-	(14,116,119)
Furniture and equipment	(5,239,547)	(309,729)	495,253	(5,054,023)
Vehicles	(244,755)	(3,530)	22,500	(225,785)
Intangible right to use assets:				
Equipment	<u>(43,693)</u>	<u>(43,693)</u>	<u>-</u>	<u>(87,386)</u>
Total accumulated depreciation/amortization	<u>(19,144,678)</u>	<u>(889,687)</u>	<u>517,753</u>	<u>(19,516,612)</u>
Total depreciable/amortized capital assets, net	<u>10,837,293</u>	<u>(889,687)</u>	<u>(42,584)</u>	<u>9,905,022</u>
Total governmental activities capital assets, net	<u>\$ 10,987,293</u>	<u>\$ (889,687)</u>	<u>\$ (42,584)</u>	<u>\$ 10,055,022</u>

Depreciation expense was charged to governmental functions as follows:

Instructional:	
Regular	\$ 2,718
Special	76
Vocational	713,154
Adult/continuing	86
Support services:	
Pupil	9,279
Instructional staff	32,416
Board of education	52
Administration	12,740
Fiscal	4,930
Operation and maintenance of plant	95,680
Pupil transportation	1,894
Central	703
Food service	<u>15,959</u>
Total depreciation	<u>\$ 889,687</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2023, the following changes occurred in governmental activities long-term obligations.

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due in One Year
<i>Governmental Activities</i>					
Leases payable	\$ 176,206	\$ -	\$ (42,740)	\$ 133,466	\$ 43,603
Net pension liability	8,216,608	5,429,147	-	13,645,755	-
Net OPEB liability	702,948	-	(184,116)	518,832	-
Compensated absences payable	<u>901,274</u>	<u>251,197</u>	<u>(133,982)</u>	<u>1,018,489</u>	<u>174,575</u>
Total	<u>\$ 9,997,036</u>	<u>\$ 5,680,344</u>	<u>\$ (360,838)</u>	<u>\$ 15,316,542</u>	<u>\$ 218,178</u>

Compensated absences are paid from the general fund for all funds except the adult education fund (a nonmajor governmental fund).

See Notes 11 and 12 for further discussion of the net pension liability and the net OPEB liability/asset, respectively.

Lease Payable - In fiscal year 2022 Tolles entered into a lease agreement for copier equipment. Lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Tolles entered into an office equipment lease in fiscal year 2022 for a term of 60 months with a maturity of June 2026. The lease is being paid from the general fund.

Principal and interest requirements to retire the lease payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 43,603	\$ 2,271	\$ 45,874
2025	44,482	1,391	45,873
2026	<u>45,381</u>	<u>493</u>	<u>45,874</u>
Total	<u>\$ 133,466</u>	<u>\$ 4,155</u>	<u>\$ 137,621</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability/or asset to employees for pensions and OPEB, respectively.

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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The Ohio Revised Code limits Tolles' obligation for this liability to annually required payments. Tolles cannot control benefit terms or the manner in which pensions/OPEB are financed; however, Tolles 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 remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	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 Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and Tolles is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

Tolles' contractually required contribution to SERS was \$220,790 for fiscal year 2023. Of this amount, \$12,782 is reported intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 (CO) 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 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will 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 of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment 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 fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

Tolles' contractually required contribution to STRS was \$1,031,813 for fiscal year 2023. Of this amount, \$137,904 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Tolles' proportion of the net pension liability was based on Tolles' share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.040728100%	0.052509869%	
Proportion of the net pension liability current measurement date	<u>0.039407900%</u>	<u>0.051795790%</u>	
Change in proportionate share	<u>-0.001320200%</u>	<u>-0.000714079%</u>	
Proportionate share of the net pension liability	\$ 2,131,486	\$ 11,514,269	\$ 13,645,755
Pension expense	\$ 202,787	\$ 1,179,369	\$ 1,382,156

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 86,327	\$ 147,399	\$ 233,726
Net difference between projected and actual earnings on pension plan investments	-	400,669	400,669
Changes of assumptions	21,032	1,377,912	1,398,944
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	35,666	-	35,666
Contributions subsequent to the measurement date	<u>220,790</u>	<u>1,031,813</u>	<u>1,252,603</u>
Total deferred outflows of resources	<u>\$ 363,815</u>	<u>\$ 2,957,793</u>	<u>\$ 3,321,608</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 13,992	\$ 44,044	\$ 58,036
Net difference between projected and actual earnings on pension plan investments	74,379	-	74,379
Changes of assumptions	-	1,037,172	1,037,172
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>47,657</u>	<u>284,502</u>	<u>332,159</u>
Total deferred inflows of resources	<u>\$ 136,028</u>	<u>\$ 1,365,718</u>	<u>\$ 1,501,746</u>

\$1,252,603 reported as deferred outflows of resources related to pension resulting from Tolles 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$ 20,288	\$ (125,819)	\$ (105,531)
2025	(30,646)	(116,263)	(146,909)
2026	(106,250)	(365,392)	(471,642)
2027	<u>123,605</u>	<u>1,167,736</u>	<u>1,291,341</u>
Total	<u>\$ 6,997</u>	<u>\$ 560,262</u>	<u>\$ 567,259</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2022, 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a 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 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 Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

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

	1% Decrease	Current Discount Rate	1% Increase
Tolles' proportionate share of the net pension liability	\$ 3,137,445	\$ 2,131,486	\$ 1,283,979

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% 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% 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 the prior measurement date, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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 Tables with 90% of rates for males and 100% 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 Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	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 %	

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

* 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% and is net of investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% 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 the rates described previously. 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 Ohio’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 pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of Tolles’ Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
Tolles' proportionate share of the net pension liability	\$ 17,393,869	\$ 11,514,269	\$ 6,541,948

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, Tolles surcharge obligation was \$7,333.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Tolles' contractually required contribution to SERS was \$7,333 for fiscal year 2023. Of this amount, \$7,333 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. 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% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2022, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. Tolles' proportion of the net OPEB liability/asset was based on Tolles' share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.037142300%	0.052509869%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.036953600%</u>	<u>0.051795790%</u>	
Change in proportionate share	<u>-0.000188700%</u>	<u>-0.000714079%</u>	
Proportionate share of the net OPEB liability	\$ 518,832	\$ -	\$ 518,832
Proportionate share of the net OPEB asset	\$ -	\$ (1,341,165)	\$ (1,341,165)
OPEB expense	\$ (57,688)	\$ (250,000)	\$ (307,688)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 4,363	\$ 19,443	\$ 23,806
Net difference between projected and actual earnings on OPEB plan investments	2,696	23,344	26,040
Changes of assumptions	82,526	57,129	139,655
Difference between employer contributions and proportionate share of contributions/change in proportionate share	63,160	612	63,772
Contributions subsequent to the measurement date	<u>7,333</u>	<u>-</u>	<u>7,333</u>
Total deferred outflows of resources	<u>\$ 160,078</u>	<u>\$ 100,528</u>	<u>\$ 260,606</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 331,882	\$ 201,418	\$ 533,300
Changes of assumptions	212,985	951,021	1,164,006
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>107,413</u>	<u>11,616</u>	<u>119,029</u>
Total deferred inflows of resources	<u>\$ 652,280</u>	<u>\$ 1,164,055</u>	<u>\$ 1,816,335</u>

\$7,333 reported as deferred outflows of resources related to OPEB resulting from Tolles contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2024.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	\$ (127,099)	\$ (315,505)	\$ (442,604)
2025	(120,666)	(305,494)	(426,160)
2026	(90,419)	(145,725)	(236,144)
2027	(51,798)	(59,928)	(111,726)
2028	(40,735)	(78,292)	(119,027)
Thereafter	(68,818)	(158,583)	(227,401)
Total	\$ (499,535)	\$ (1,063,527)	\$ (1,563,062)

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation:

Current measurement date	2.40%
Prior measurement date	2.40%

Future salary increases, including inflation:

Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%

Investment rate of return:

Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation

Municipal bond index rate:

Current measurement date	3.69%
Prior measurement date	1.92%

Single equivalent interest rate, net of plan investment expense,
including price inflation:

Current measurement date	4.08%
Prior measurement date	2.27%

Medical trend assumption:

Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-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%, 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 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 Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% 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% at June 30, 2022 and 1.92% at June 30, 2021.

Sensitivity of Tolles' 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, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
Tolles' proportionate share of the net OPEB liability	\$ 644,398	\$ 518,832	\$ 417,467

	1% Decrease	Current Trend Rate	1% Increase
Tolles' proportionate share of the net OPEB liability	\$ 400,113	\$ 518,832	\$ 673,899

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, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

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

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% 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% 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

For the prior measurement date, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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 Tables with 90% of rates for males and 100% 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.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
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	<u>100.00 %</u>	

* 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% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of Tolles' Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, 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%) or one percentage point higher (8.00%) 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
Tolles' proportionate share of the net OPEB asset	\$ (1,241,944)	\$ (1,341,165)	\$ (1,427,932)

	1% Decrease	Current Trend Rate	1% Increase
Tolles' proportionate share of the net OPEB asset	\$ (1,391,115)	\$ (1,341,165)	\$ (1,278,117)

NOTE 13 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and twelve month school support personnel accumulate vacation based on the following factors:

<u>Years of Service</u>	<u>Vacation Days</u>
After 1 Year	10
5 or more Years	15
10 or more Years	20

All administrative personnel earn twenty days vacation annually.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 335 days. Upon retirement, all employees with 20 years of service to Tolles receive 27% of accumulated sick leave. All other qualified employees receive 25% of accumulated sick leave.

NOTE 14 - RISK MANAGEMENT

A. General Risk

Tolles 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. Tolles has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate.

Tolles maintains fleet insurance in the amount of \$3,000,000 for any one accident or loss. Tolles maintains replacement cost insurance on buildings and contents in the amount of \$73,902,712 (subject to scheduled limits). Tolles maintains other property insurance for valuable papers, electronic data processing equipment, and mechanical, electrical and pressure equipment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation-Public Entity Risk Pool

Tolles participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14 - RISK MANAGEMENT - (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for Tolles by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Insurance

Tolles provides life insurance and accidental death and dismemberment insurance to its employees through the Metropolitan Educational Council insurance purchasing program. Tolles has elected to provide employee health coverages through membership in the Southwestern Ohio Educational Purchasing Council. Medical/surgical benefits are through United HealthCare, Prescription drug coverage through CVSCaremark, dental benefits through Delta Dental and Vision insurance through VSP.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

Tolles is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), and Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from twelve of the member districts. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

NOTE 16 - COMMITMENTS

Tolles utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, Tolles' commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End</u>
General	\$ 998,374
Nonmajor Governmental Funds	<u>806,073</u>
Total	<u>\$ 1,804,447</u>

NOTE 17 - STATUTORY RESERVES

Tolles is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**TOLLES CAREER & TECHNICAL CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 17 - STATUTORY RESERVES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2022	\$ -
Current year set-aside requirement	182,982
Current year qualifying expenditures	<u>(258,899)</u>
Total	<u>\$ (75,917)</u>
Balance carried forward to fiscal year 2024	<u>\$ -</u>
Set-aside balance June 30, 2023	<u>\$ -</u>

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,

- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

	Net Change in Fund Balance
	<u>General Fund</u>
Budget basis	\$ 3,595,851
Net adjustment for revenue accruals	378,724
Net adjustment for expenditure accruals	(154,642)
Net adjustment for other sources/uses	(143,315)
Funds budgeted elsewhere	(6,481)
Adjustment for encumbrances	994,601
GAAP basis	\$ 4,664,738

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary fund, the public school fund, and the agency fund.

NOTE 19 - CONTINGENCIES

A. Grants

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

B. Litigation

Tolles is not involved in pending litigation that would have a material effect on the financial condition of Tolles.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Career centers must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education and Workforce (DEW) is legislatively required to follow will continue to adjust as enrollment information is updated by Tolles, which can extend past the fiscal year-end. DEW has finalized these adjustments, which did not result in an adjustment.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 20 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, Tolles received COVID-19 funding. Tolles will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tolles' proportion of the net pension liability	0.03940790%	0.04072810%	0.03824890%	0.03400790%	0.03963840%	0.04092930%	0.04836520%	0.04728010%	0.04867200%	0.04867200%
Tolles' proportionate share of the net pension liability	\$ 2,131,486	\$ 1,502,749	\$ 2,529,863	\$ 2,034,752	\$ 2,270,165	\$ 2,445,435	\$ 3,539,886	\$ 2,697,848	\$ 2,463,262	\$ 2,894,268
Tolles' covered payroll	\$ 1,491,593	\$ 1,431,293	\$ 1,348,229	\$ 1,162,963	\$ 1,273,526	\$ 1,370,500	\$ 1,500,364	\$ 1,423,376	\$ 1,414,300	\$ 1,516,900
Tolles' proportionate share of the net pension liability as a percentage of its covered payroll	142.90%	104.99%	187.64%	174.96%	178.26%	178.43%	235.94%	189.54%	174.17%	190.80%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tolles' proportion of the net pension liability	0.051795790%	0.052509869%	0.05238406%	0.05293777%	0.05481201%	0.05484281%	0.05554080%	0.05231056%	0.52677540%	0.05267754%
Tolles' proportionate share of the net pension liability	\$ 11,514,269	\$ 6,713,859	\$ 12,675,079	\$ 11,706,870	\$ 12,051,930	\$ 13,028,027	\$ 18,591,180	\$ 14,457,109	\$ 12,813,001	\$ 15,262,763
Tolles' covered payroll	\$ 6,764,400	\$ 6,512,686	\$ 6,358,229	\$ 6,222,071	\$ 6,233,936	\$ 6,016,536	\$ 5,920,707	\$ 5,457,729	\$ 5,382,192	\$ 5,485,200
Tolles' proportionate share of the net pension liability as a percentage of its covered payroll	170.22%	103.09%	199.35%	188.15%	193.33%	216.54%	314.00%	264.89%	238.06%	278.25%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 220,790	\$ 208,823	\$ 200,381	\$ 188,752	\$ 157,000	\$ 171,926	\$ 191,870	\$ 210,051	\$ 187,601	\$ 196,022
Contributions in relation to the contractually required contribution	<u>(220,790)</u>	<u>(208,823)</u>	<u>(200,381)</u>	<u>(188,752)</u>	<u>(157,000)</u>	<u>(171,926)</u>	<u>(191,870)</u>	<u>(210,051)</u>	<u>(187,601)</u>	<u>(196,022)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tolles' covered payroll	\$ 1,577,071	\$ 1,491,593	\$ 1,431,293	\$ 1,348,229	\$ 1,162,963	\$ 1,273,526	\$ 1,370,500	\$ 1,500,364	\$ 1,423,376	\$ 1,414,300
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,031,813	\$ 947,016	\$ 911,776	\$ 890,152	\$ 871,090	\$ 872,751	\$ 842,315	\$ 828,899	\$ 764,082	\$ 699,685
Contributions in relation to the contractually required contribution	<u>(1,031,813)</u>	<u>(947,016)</u>	<u>(911,776)</u>	<u>(890,152)</u>	<u>(871,090)</u>	<u>(872,751)</u>	<u>(842,315)</u>	<u>(828,899)</u>	<u>(764,082)</u>	<u>(699,685)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tolles' covered payroll	\$ 7,370,093	\$ 6,764,400	\$ 6,512,686	\$ 6,358,229	\$ 6,222,071	\$ 6,233,936	\$ 6,016,536	\$ 5,920,707	\$ 5,457,729	\$ 5,382,192
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tolles' proportion of the net OPEB liability	0.03695360%	0.03714230%	0.03534410%	0.03167070%	0.03701750%	0.03822450%	0.04530366%
Tolles' proportionate share of the net OPEB liability	\$ 518,832	\$ 702,948	\$ 768,143	\$ 796,451	\$ 1,026,965	\$ 1,025,845	\$ 1,291,322
Tolles' covered payroll	\$ 1,491,593	\$ 1,431,293	\$ 1,348,229	\$ 1,162,963	\$ 1,273,526	\$ 1,370,500	\$ 1,500,364
Tolles' proportionate share of the net OPEB liability as a percentage of its covered payroll	34.78%	49.11%	56.97%	68.48%	80.64%	74.85%	86.07%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tolles' proportion of the net OPEB liability/asset	0.051795790%	0.052509869%	0.05238406%	0.05293777%	0.05481201%	0.05484281%	0.05554080%
Tolles' proportionate share of the net OPEB liability/(asset)	\$ (1,341,165)	\$ (1,107,128)	\$ (920,649)	\$ (876,776)	\$ (880,773)	\$ 2,139,764	\$ 2,970,336
Tolles' covered payroll	\$ 6,764,400	\$ 6,512,686	\$ 6,358,229	\$ 6,222,071	\$ 6,233,936	\$ 6,016,536	\$ 5,920,707
Tolles' proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	19.83%	17.00%	14.48%	14.09%	14.13%	35.56%	50.17%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	230.73%	174.73%	182.10%	174.70%	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,333	\$ 7,043	\$ 1,450	\$ 2,147	\$ 10,239	\$ 12,174	\$ 5,526	\$ 7,010	\$ 18,005	\$ 20,752
Contributions in relation to the contractually required contribution	<u>(7,333)</u>	<u>(7,043)</u>	<u>(1,450)</u>	<u>(2,147)</u>	<u>(10,239)</u>	<u>(12,174)</u>	<u>(5,526)</u>	<u>(7,010)</u>	<u>(18,005)</u>	<u>(20,752)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tolles' covered payroll	\$ 1,577,071	\$ 1,491,593	\$ 1,431,293	\$ 1,348,229	\$ 1,162,963	\$ 1,273,526	\$ 1,370,500	\$ 1,500,364	\$ 1,423,376	\$ 1,414,300
Contributions as a percentage of covered payroll	0.46%	0.47%	0.10%	0.16%	0.40%	0.47%	0.82%	1.47%	1.26%	1.47%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOLLES OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,583
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	(55,583)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tolles' covered payroll	\$ 7,370,093	\$ 6,764,400	\$ 6,512,686	\$ 6,358,229	\$ 6,222,071	\$ 6,233,936	\$ 6,016,536	\$ 5,920,707	\$ 5,457,729	\$ 5,382,192
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.

(Continued)

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

(Continued)

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (CONTINUED)

Changes in assumptions:

- For fiscal year 2017, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.
- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

(Continued)

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

(Continued)

**TOLLES CAREER & TECHNICAL CENTER
MADISON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (CONTINUED)

Changes in assumptions (continued):

- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.
- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

**Tolles Career and Technical Center
Madison County, Ohio**
*Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2023*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Assistance Listing Number	Federal Awards Expenditures
<u>United States Department of Agriculture</u>			
<i>Passed through the Ohio Department of Education and Workforce</i>			
Child Nutrition Cluster:			
School Breakfast Program	N/A	10.553	\$14,975
National School Lunch Program	N/A	10.555	89,238
National School Lunch Program-Non-Cash Assistance	N/A	10.555	12,119
Total Child Nutrition Cluster			<u>116,332</u>
COVID-19 Pandemic EBT Administrative Costs	N/A	10.649	<u>628</u>
Total United States Department of Agriculture			116,960
<u>United States Department of Education</u>			
<i>Passed through the Ohio Department of Education and Workforce</i>			
Career and Technical Education-Basic Grants to States	N/A	84.048	441,722
Education Stabilization Fund			
COVID-19 Governors Emergency Relief Fund	N/A	84.425C	175,424
COVID-19 Innovative Workforce Incentive Program	N/A	84.425D	111,863
COVID-19 Education Stabilization Fund	N/A	84.425U	11,533
<i>Passed through Pickaway-Ross Career & Technology Center</i>			
COVID-19 RemotEDx Industry Recognized Credentials	N/A	84.425D	1,082
Total Education Stabilization Fund			<u>299,902</u>
Total United States Department of Education			741,624
<u>United States Department of Treasury</u>			
<i>Passed through Ohio Facilities Construction Commission</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	<u>63,265</u>
Total United States Department of Treasury			63,265
Total Federal Financial Assistance			<u>\$921,849</u>

N/A - not applicable

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Tolles Career and Technical Center
Madison County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of Tolles Career and Technical Center's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Tolles Career and Technical Center, it is not intended to and does not present the financial position and changes in net position of the Center.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Tolles Career and Technical Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Food Donation Program

Tolles Career and Technical Center reports commodities consumed on the schedule at the fair value. Tolles Career and Technical Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Note 4 – Child Nutrition Cluster

Tolles Career and Technical Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this schedule, Tolles Career and Technical Center assumes it expends federal monies first.

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*

Independent Auditor's Report

Members of the Board
Tolles Career and Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Tolles Career and Technical Center, Madison County, Ohio (the Center) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated March 15, 2024, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center.

Report on Internal Control Over Financial Reporting

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

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

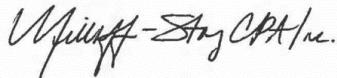
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

March 15, 2024

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Members of the Board
Tolles Career and Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Tolles Career and Technical Center, Madison County, Ohio (the Center) with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2023. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

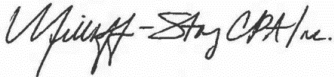
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

Tolles Career and Technical Center
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the
Uniform Guidance
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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

March 15, 2024

**Tolles Career and Technical Center
Madison County**
*Schedule of Findings and Questioned Costs
2 CFR Section 200.515
For the Fiscal Year Ended June 30, 2023*

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		No
Identification of major program(s):		Career and Technical Education-Basic Grants to States (AL #84.048)
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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OHIO AUDITOR OF STATE KEITH FABER



TOLLES CAREER & TECHNICAL CENTER

MADISON 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 4/16/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov