



**VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Victory Academy of Toledo
Lucas County
3648 Victory Avenue
Toledo, Ohio 43607

To the Governing Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Victory Academy of Toledo, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy'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 Victory Academy of Toledo, Lucas County, Ohio as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Academy has suffered losses from operations and has a net deficiency of \$503,307. Note 18 also describes management's evaluation of the events and conditions and their plan to mitigate these matters. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy'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 Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2024, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 Academy's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2024

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VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)

The management's discussion and analysis of Victory Academy of Toledo's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. 2023 is the Academy's first year of operation; therefore only one year will be presented.

Financial Highlights

In 2023,

Total net position was \$(503,307).

Total assets were \$502,586.

Total deferred outflows of resources were \$52,108.

Total liabilities were \$1,058,001.

Using this Annual Report

This report includes the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the Academy did financially during fiscal year 2023. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

This report also includes required supplementary information concerning the Academy's net other post-employment benefits (OPEB) asset, net pension liability and net OPEB liability, and notes to the required supplementary information. Because 2023 is the first year of the Academy's operations and the net pension liability, net OPEB liability, and net OPEB asset were measured as of the prior fiscal year, the required supplementary information will include only the Schedules of the Academy's Required Contributions for pension and OPEB.

The Academy uses enterprise presentation for all of its activities.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)
(continued)

Statement of Net Position

Table 1 provides a summary of the Academy's net position for fiscal year 2023:

TABLE 1

	June 30 2023
Assets	
Current assets	\$ 47,542
Capital and lease assets, net	455,044
Total assets	502,586
Deferred Outflows of Resources	
Pension	51,510
OPEB	598
Total deferred outflows of resources	52,108
Liabilities	
Current liabilities	712,562
Noncurrent liabilities	
Due in more than one year	
Leases payable	345,439
Total liabilities	1,058,001
Net Position	
Invested in capital assets—net of related debt	(119,355)
Unrestricted (deficit)	(383,952)
Total net position (deficit)	\$ (503,307)

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)
(continued)

Statement of Net Position (continued)

GASB Statements No. 68 and 75

The Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension 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 asset/liability to equal the Academy's proportionate share of each plan's collective:

- a) present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- b) minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy 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. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2023 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)
(continued)

Statement of Net Position (continued)

GASB Statements No. 68 and 75 (continued)

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.

Because of the difficulty of obtaining reporting year data to record net pension liability on a timely basis, the Academy will be using a measurement date of June 30 of the year prior to the current reporting year. Because 2023 was its first year of operation, the Academy did not have a share in the net pension liability, net OPEB liability, net OPEB asset, or any deferred outflows or deferred inflows measured at June 30, 2022. It did record deferred outflows at June 30, 2023, representing required contributions to the pension plan and OPEB plan during fiscal year 2023 that will be recognized as reductions of the net pension liability and net OPEB liability in the fiscal year ended June 30, 2024.

GASB Statement No. 87

The Academy has implemented GASB Statement No. 87, "Leases". This statement increases the usefulness of governments' financial statements by requiring recognition of certain leased (right-to-use) assets and liabilities for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Highlights

Total net position for the Academy was (\$503,307). Cash was \$17,708. Total leases payable were \$554,765. The current portion of leases payable was \$209,326, and accrued interest payable was \$19,633. This includes fiscal year 2023 facility lease payments that were not collected by the lessor in order to alleviate cash flow issues in the Academy's first year of operation. Beverly Victory Avenue Property Holdings (BVAPH) is the lessor, and is an affiliate of The Leona Group, LLC (TLG), the management company serving the Academy. Contracts payable was \$439,224, which consists mostly of management fees that were not collected by TLG and payroll that was not collected by Leona Ohio Employment Group (LOEG), also due to the aforementioned cash flow issues.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)
(continued)

Change in Net Position

Table 2 shows the change in net position for fiscal year 2023, as well as a listing of revenues and expenses.

TABLE 2

	For the year ended June 30 2023
Operating Revenues	
Foundation payments	\$ 522,590
Other revenues	668
Total operating revenues	523,258
Operating Expenses	
Salaries	396,704
Fringe benefits	65,404
Other purchased services	335,190
Materials and supplies	244,085
Depreciation and amortization (unallocated)	116,303
Other expenses	28,295
Total operating expenses	1,185,981
Operating loss	(662,723)
Nonoperating Revenues and Expenses	
Federal grants	50,693
State grants	99,147
Contributions and donations	20,655
Rental income	8,800
Interest and fiscal charges	(19,879)
Total nonoperating revenues and expenses	159,416
Decrease in net position	(503,307)
Net position beginning of year	-
Net position end of year (deficit)	\$ (503,307)

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)
(continued)

Change in Net Position (continued)

Highlights

Net position was (\$503,307). Fringe benefits were \$65,404 and are net of \$52,108 in required employer contributions to the pension and OPEB systems that were reclassified to deferred outflows and will be recognized as reductions in net pension liability and net OPEB liability in fiscal year 2024. Interest and fiscal charges were \$19,879 and include accrued interest payable on uncollected 2023 facility lease payments.

Capital and Lease Assets

At the end of fiscal year 2023, the Academy had \$455,044 invested in capital assets and lease assets (net of depreciation/amortization).

Table 3 shows capital assets and lease assets (net of depreciation/amortization) for fiscal year 2023.

TABLE 3	<u>Net Capital and Lease Assets</u>
	<u>June 30 2023</u>
Buildings - lease	\$ 438,140
Equipment - lease	7,080
Furniture and fixtures	<u>9,824</u>
Total capital and lease assets	<u><u>\$ 455,044</u></u>

For more information on capital and lease assets, see Note 6 to the basic financial statements.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(unaudited)
(continued)

Current Financial Issues

Victory Academy of Toledo was formed in 2022 under a contract with the Buckeye Community Hope Foundation. During the 2022-2023 school year there were 69 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2023 amounted to \$522,590.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The state of emergency in the State of Ohio ended on June 18, 2021. On April 10, 2023, the state of emergency in the United States was terminated. Because all COVID-19 related funding allocations were issued based on schools and enrollment/at-risk factors as of fiscal year 2020, the Academy was ineligible for federal funding related to the COVID-19 pandemic during its first year of operation and will remain ineligible through June 30, 2024, the date at which all COVID-19 related funding must be obligated.

Contacting the Academy's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact:

Melinda Benkovsky
Chief Financial Officer
The Leona Group, LLC
2125 University Park Drive, Okemos, MI 48864
melinda.benkovsky@leonagroupmw.com

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Statement of Net Position
June 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 17,708
Intergovernmental receivable	<u>29,834</u>
<i>Total current assets</i>	47,542

Noncurrent Assets

Capital assets, net of depreciation	9,824
Lease assets, net of amortization	<u>445,220</u>
<i>Total noncurrent assets</i>	<u>455,044</u>

<i>Total Assets</i>	<u>502,586</u>
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Deferred Outflows of Resources

Pension	51,510
OPEB	<u>598</u>

<i>Total Deferred Outflows of Resources</i>	<u>52,108</u>
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VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Statement of Net Position
June 30, 2023
(continued)

Liabilities

Current Liabilities

Accounts payable	\$ 4,461
Contracts payable	439,224
Accrued wages payable	36,118
Intergovernmental payable	1,405
Deferred revenue	2,127
STRS-SERS payable	268
Leases payable - current portion	209,326
Accrued interest payable	<u>19,633</u>
<i>Total current liabilities</i>	712,562

Noncurrent Liabilities

Due in more than one year	
Leases payable	<u>345,439</u>

<i>Total Liabilities</i>	<u>1,058,001</u>
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Net Position

Net investment in capital assets (net of related debt)	(119,355)
Unrestricted (deficit)	<u>(383,952)</u>
<i>Total Net Position (deficit)</i>	<u><u>\$ (503,307)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2023

Operating Revenues	
Foundation payments	\$ 522,590
Other operating revenues	668
Total operating revenues	523,258
Operating Expenses	
Salaries	396,704
Fringe benefits	65,404
Other purchased services	335,190
Materials and supplies	244,085
Depreciation and amortization	116,303
Other	28,295
Total operating expenses	1,185,981
Operating Loss	(662,723)
Nonoperating Revenues and Expenses	
Federal grants	50,693
State grants	99,147
Contributions and donations	20,655
Rental income	8,800
Interest and fiscal charges	(19,879)
Total nonoperating revenues and expenses	159,416
Change in Net Position	(503,307)
Net Position Beginning of Year	-
Net Position End of Year (deficit)	\$ (503,307)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Increase in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash received from State of Ohio	\$ 516,305
Cash received from other operating revenues	668
Cash payments to suppliers for goods and services	<u>(621,495)</u>

Net Cash Used for Operating Activities (104,522)

Cash Flows from Noncapital Financing Activities

Federal grants received	31,734
State grants received	98,523
Rental income	8,800
Proceeds of short-term loans	257,000
Repayment of short-term loans	(257,000)
Lease principal payments	(1,853)
Lease interest payments	<u>(245)</u>

Net Cash Provided by Noncapital Financing Activities 136,959

Cash Flows from Capital and Related Financing Activities

Payments for capital acquisitions	<u>(14,729)</u>
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Net Increase in Cash and Cash Equivalents 17,708

Cash and Cash Equivalents at Beginning of Year -

Cash and Cash Equivalents at End of Year \$ 17,708

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VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023
(continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	\$ (662,723)
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Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities

Depreciation and amortization	116,303
Noncash noncapital equipment donation	20,655

Changes in assets and liabilities:

Increase in intergovernmental receivable	(8,125)
Increase in deferred outflows-pension	(51,510)
Increase in deferred outflows-OPEB	(598)
Increase in accounts payable	4,461
Increase in contracts payable-LOEG	388,707
Increase in contracts payable-TLG	50,517
Increase in accrued wages and benefits	36,118
Increase in intergovernmental payable	1,405
Increase in STRS-SERS payable	268

<i>Total Adjustments</i>	558,201
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<i>Net Cash Used for Operating Activities</i>	\$ (104,522)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Victory Academy of Toledo (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy’s mission is to engage students, parents, and the community in a unified effort to accomplish educational excellence, to foster a growth mindset within their learners and help them to recognize their worth and the potential they have to make a positive impact, and to embrace diversity in a safe environment that is conducive to learning. The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On May 12, 2022, the Academy was approved for operation under contract with Buckeye Community Hope Foundation (the “Sponsor”) for a period of five years through June 30, 2027. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. For 2023, the Academy paid \$18,587 to the Sponsor.

The Academy operates under the direction of a six-member governing board. The governing board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The governing board controls the Academy’s instructional/support facility staffed by four certificated personnel and six non-certificated personnel who provide services to 69 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy’s instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 14).

The State of Ohio requires that the financial activities of all community schools are overseen by a licensed fiscal officer. The fiscal officer is retained by the board of directors and is not affiliated with TLG.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position, a statement of revenue, expenses, and change in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus

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

C. Basis of Accounting

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

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.

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and cash equivalents" on the Statement of Net Position. The Academy had no investments during the fiscal year ended June 30, 2023.

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2023 are considered collectible in full and will be received within one year.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Depreciation is computed using the straight-line method. A summary of capital asset activity can be found in Note 6. Cost thresholds and useful lives are as follows:

Capitalization and Depreciation Policy

<u>Category</u>	<u>Cost Threshold</u>	<u>Useful Life</u>
Leasehold improvements	Professional judgement not less than \$25,000	Life of Lease
Furniture, fixtures, and equipment	Individual item - \$5,000	7 years
EDP equipment and software	Sum of like items in a single purchase - \$12,500	3 years
Non-EDP equipment		6 years

H. Lease Assets

Lease assets are reported on the statement of net position and are initially measured as the sum of the initial measurement of the lease liability and any payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs that are ancillary charges necessary to place the lease asset into service. The lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The amortization is reported as an outflow of resources and combined with depreciation expense related to other capital assets for financial reporting purposes. Lease asset data is presented together with capital asset data in Note 6.

I. Lease Liability

Lease liability is reported on the statement of net position and is initially measured at the present value of payments expected to be made during the lease term. Payments are discounted using an implicit interest rate, or if not readily determined by the lessee, the lessee's incremental borrowing rate, and amortized over the life of the lease. Leases not meeting the criteria of a long-term lease liability will be recognized as outflows of resources (expenses) based on the payment provisions of the lease contract. Lease liability is presented in Note 13.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position

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

K. Operating Revenues and Expenses

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

L. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Ohio Amended Substitute House Bill 110 made significant changes to the calculation and payment of state foundation funding. Students are now funded where they are educated rather than where they reside, with a variable base cost per pupil amount, a phase-in formula, and a per-pupil guarantee.

Approximately 74.38% of revenue is from the foundation allowance; therefore, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which eligibility requirements have been met.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Tax Status

The Academy is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and other post-employment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources consist of pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 8 and 9.

Because the net pension/OPEB liability, net OPEB asset, and related deferred inflows and deferred outflows are measured as of the end of the previous fiscal year, the Academy did not record any deferred outflows of resources or deferred inflows of resources related to those measurements during its first year of operation. The Academy did record deferred outflows at June 30, 2023, representing required contributions to the pension plan and OPEB plan during fiscal year 2023 that will be recognized as reductions of the net pension liability and the net OPEB liability in the fiscal year ended June 30, 2024.

P. Pensions/Other Post-Employment Benefits (OPEB)

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

Because the net pension/OPEB liability, net OPEB asset, and related deferred inflows and deferred outflows are measured as of the end of the previous fiscal year, the Academy did not record any net pension/OPEB liability or net OPEB asset during its first year of operation.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

3. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2023, the Academy implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements".

GASB Statement No. 96 improves accounting and financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Academy in fiscal year 2023; however, its impact on future periods is yet to be determined.

4. DEPOSITS

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy.

A. Cash on Hand

At June 30, 2023, the carrying amount of all Academy deposits was \$17,708. At June 30, 2023, the Academy's bank balance was \$23,386. The Academy's bank balance was not exposed to custodial risk as discussed below, and all funds were covered by the Federal Deposit Insurance Corporation (the "FDIC").

B. Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

5. RECEIVABLES

Receivables at June 30, 2023, consisted mostly of intergovernmental grants and year end foundation adjustments. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables	
<u>Source</u>	<u>June 30, 2023</u>
Intergovernmental receivable:	
Title I	\$ 14,471
IDEA	4,488
SERS refund	432
Casino tax revenue	2,530
Ohio Department of Education final adjustment #1 & #2, net	<u>7,913</u>
 Total intergovernmental receivable	 <u><u>\$ 29,834</u></u>

6. CAPITAL ASSETS AND LEASE ASSETS

Capital asset and lease asset activity for the fiscal year ended June 30, 2023 is as follows:

Capital and Lease Asset Activity				
<u>Category</u>	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital and lease assets being depreciated/amortized:				
Buildings - lease	\$ -	\$ 547,675	\$ -	\$ 547,675
Equipment - lease	-	8,943	-	8,943
Furniture and fixtures	<u>-</u>	<u>14,729</u>	<u>-</u>	<u>14,729</u>
 Total depreciable capital and lease assets	 -	 571,347	 -	 571,347
Less accumulated depreciation/amortization:				
Buildings - lease	-	(109,535)	-	(109,535)
Equipment - lease	-	(1,863)	-	(1,863)
Furniture and fixtures	<u>-</u>	<u>(4,905)</u>	<u>-</u>	<u>(4,905)</u>
 Total accumulated depreciation/amortization	 <u>-</u>	 <u>(116,303)</u>	 <u>-</u>	 <u>(116,303)</u>
 Total depreciable capital and lease assets - net	 <u><u>\$ -</u></u>	 <u><u>\$ 455,044</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 455,044</u></u>

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the Academy contracted with Philadelphia Indemnity Insurance Company for student sports coverage, Coalition for cyber liability, and Hanover Insurance Group for all other coverages listed below:

Insurance Coverages

<u>Type</u>	<u>FY2023 Limits</u>
<i>Educational Errors and Omissions:</i>	
D&O Liability and Employment Practices	\$3,000,000
<i>General Liability:</i>	
General Aggregate	2,000,000
Per Occurrence	1,000,000
Abuse/Molestation Aggregate	3,000,000
Abuse/Molestation Per Occurrence	1,000,000
Umbrella	5,000,000
<i>Property:</i>	
Building	4,695,000
Personal Property	600,000
Business Income	100,000
<i>Auto Liability:</i>	
Combined Single Limit	1,000,000
<i>Miscellaneous:</i>	
Student Sports Per Occurrence	50,000
Student Sports Aggregate	50,000
Fiduciary and Crime	500,000
Cyber Liability	5,000,000

Settled claims have not exceeded this coverage during the Academy's first year of operation.

B. Workers' Compensation

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS

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

A. Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset). Because fiscal year 2023 is the first year of the Academy's operation, it did not have a share in the net pension/OPEB liability or net OPEB asset at the measurement date of June 30, 2022.

Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in STRS-SERS Payable.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

<u>Benefits</u>	<u>Eligible to Retire on or before August 1, 2017*</u>	<u>Eligible to Retire On or After August 1, 2017</u>
Full	Age 65 with 5 years of service credit; or 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	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 year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

The Academy’s contractually required contribution to SERS was \$4,888 for fiscal year 2023. The full amount was contributed for fiscal year 2023.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

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

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

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

The Academy's contractually required contribution to STRS was \$46,622 for fiscal year 2023. Of this amount, \$30 is recorded as a liability in STRS-SERS Payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Because fiscal year 2023 is the Academy's first year of operation, they did not share in the net pension liability at the measurement date of June 30, 2022. There was also no activity on which to base deferred inflows of resources.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

At June 30, 2023, the Academy 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 - Pension			
Academy contributions subsequent to the measurement date	\$ 4,888	\$ 46,622	\$ 51,510

\$51,510 reported as deferred outflows of resources related to pension resulting from Academy 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.

E. 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.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

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

<u>Method</u>	<u>Assumption</u>
Actuarial cost method	Entry Age Normal (Level Percent of Payroll, Closed)
Inflation	2.40 percent
Future salary increases, including inflation	3.25 percent to 13.58 percent
Investment rate of return	7.00 percent net of investment expense, including inflation
COLA or ad hoc COLA	2.00 percent, on and after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

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

Real Rates of Return on Pension Plan Investments - SERS

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

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate. Future reports will illustrate the potential impact on the Academy's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

F. 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:

Calculating Total Pension Liability - STRS

<u>Method</u>	<u>Assumption</u>
Inflation	2.50 percent
Salary increases	
Current measurement period	Varies by service from 2.50 percent to 8.50 percent
Prior measurement period	Varies by age from 2.50 percent to 12.50 percent
Payroll increases	3.00 percent
Investment rate of return	7.00 percent, net of investment expenses, including inflation
Discount rate of return	7.00 percent
Cost-of-living adjustments (COLA)	0.00 percent effective July 1, 2017

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

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

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

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Real Rates of Return on Pension Plan Investments - STRS

<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
	100.00 %	

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

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate. Future reports will illustrate the potential impact on the Academy's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS

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

A. Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the Academy's surcharge obligation was \$598, which is reported as a payable to the retirement system. The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was equal to its surcharge obligation for fiscal year 2023.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

B. Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability (asset) was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Because fiscal year 2023 is the Academy's first year of operation, they did not share in the net OPEB liability (asset) at the measurement date of June 30, 2022. There was also no activity on which to base deferred inflows of resources.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

OPEB	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources - OPEB			
Academy contributions subsequent to the measurement date	\$ 598	\$ -	\$ 598

\$598 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2024.

D. 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.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

D. Actuarial Assumptions – SERS (continued)

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

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

Calculating Total OPEB Liability - SERS

<u>Method</u>	<u>Assumption</u>
Inflation	2.40 percent
Salary increases, including inflation	3.25 percent to 13.58 percent
Investment rate of return	7.00 percent net of investment expense, including inflation
Fiduciary net position depletion	Projected to be 2044
Municipal bond index rate	
Measurement date	3.69 percent
Prior measurement date	1.92 percent
Single equivalent interest rate	
Measurement date	4.08 percent, net of plan investment expense, including price inflation
Prior measurement date	2.27 percent, net of plan investment expense, including price inflation
Health care cost trend rate	
Medicare	5.125 percent - 4.40 percent
Pre-Medicare	6.750 percent - 4.40 percent
Medical trend assumption	7.00 percent - 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

D. Actuarial Assumptions – SERS (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Real Rates of Return on OPEB Plan Investments - SERS

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022 was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

D. Actuarial Assumptions – SERS (continued)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. Future reports will illustrate the potential impact on the Academy's proportionate share of the net OPEB liability if it were calculated using a discount rate and health care cost trend rate that are one percentage point lower or one percentage point higher than the current rates.

E. 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:

Calculating Total OPEB Liability - STRS

<u>Method</u>	<u>Assumption</u>	
	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent	Varies by age from 2.50 percent to 12.50 percent
Investment rate of return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent	3.00 percent
Discount rate of return	7.00 percent	7.00 percent
Healthcare cost trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4.00 percent ultimate
Medicare	(68.78) percent initial 3.94 percent ultimate	(16.18) percent initial 4.00 percent ultimate
Prescription drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4.00 percent ultimate
Medicare	(5.47) percent initial 3.94 percent ultimate	29.98 percent initial 4.00 percent ultimate

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

E. Actuarial Assumptions – STRS (continued)

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

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

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

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

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

Real Rates of Return on OPEB Plan Investments - STRS

<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
	100.00 %	

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

9. DEFINED BENEFIT OPEB PLANS (continued)

E. Actuarial Assumptions – STRS (continued)

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Changes in the Health Care Cost Trend Net OPEB asset is sensitive to changes in the discount rate and the health care cost trend rate. Future reports will illustrate the potential impact on the Academy's proportionate share of the net OPEB asset if it were calculated using a discount rate and health care cost trend rate that are one percentage point lower or one percentage point higher than the current rates.

10. CONTINGENCIES

A. Grants

The Academy 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 funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2023, if applicable, cannot be determined at this time.

B. Full-Time Equivalency

Academy foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and their matters of noncompliance. DEW performed such a review on the Academy for fiscal year 2023.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

10. CONTINGENCIES (continued)

B. Full-Time Equivalency (continued)

The Academy's September 14 and November 14, 2023 foundation settlements included the FTE adjustments for fiscal year 2023. The September 14, 2023 adjustment was an increase of \$9,434 and the November 14, 2023 adjustment was a decrease of \$1,522. The \$9,434 was reported as an intergovernmental receivable as of June 30, 2023. The \$1,522 was reported as an intergovernmental payable as of June 30, 2023.

The Academy's contract with their Sponsor and Management Company requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2023 have been finalized by DEW, and the impact on the fiscal year 2023 financial statements, related to additional reconciliation necessary with this contract. The September 14 adjustment resulted in \$283 owed to the Sponsor and \$1,132 owed to the Management Company. The November 14 adjustment resulted in \$46 due from the Sponsor, and \$183 due from the Management Company. The sponsorship fees have been accrued to accounts payable, and the amount due to the Management Company has been included in the year-end true-up of the fees.

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2023, purchased service expenses were payments for services rendered by various vendors and activity related to pension and OPEB, as follows:

Purchased Services

<u>Category</u>	<u>FY2023</u>
Salaries	\$ 396,704
Fringe benefits	65,404
Other professional and technical services	61,433
The Leona Group, LLC	81,828
Legal services	10,250
Buckeye Community Hope Foundation	18,587
Cleaning services	11,783
Repairs and maintenance	21,308
Short term rentals	5,168
Communication	5,537
Advertising	7,911
Utilities	44,030
Contracted food service	42,519
Pupil transportation	24,836
	<hr/>
Total purchased services	<u>\$ 797,298</u>

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

12. LEASES

A. Equipment Leases

In August 2022, the Academy entered into a 48-month lease with Konica Minolta for a copier with a total monthly rental fee of \$198.

B. Facility Leases

On May 4, 2022, the Academy entered into a lease with Beverly Victory Avenue Property Holdings, LLC (BVAPH), for the use of a school facility for the period from July 1, 2022 through June 30, 2027, with an annual rent of \$120,000, due in equal monthly installments. Under the lease agreement, the Academy is responsible for paying all utilities and applicable property taxes. The Academy has the right to terminate the lease if the funding to which it is entitled to receive for operation of a community school in the State of Ohio shall be substantially reduced.

BVAPH is an affiliate of The Leona Group, LLC (TLG), which is the management company serving the Academy.

C. GASB Statement No. 87

Prior to fiscal year 2022, leases of these types were treated as operating leases. In accordance with GASB Statement No. 87, the Academy evaluated these leases and determined that they meet the criteria for recording them as lease liabilities. In order to maintain consistency with capital asset policy, an equipment lease with a related initial lease asset value of less than \$5,000 will be treated as an operating lease.

The Academy calculated the liabilities based on the present value of the future lease payments as of the inception of the lease, using the Academy's incremental borrowing rate of 3.65 percent, and amortized payments over the life of the lease.

Due to cash flow issues affecting the Academy's ability to pay during its first year of operation, lease payments from July 2022 forward are still outstanding and are presented in the financial statements as a portion of the current lease payable and accrued interest payable. BVAPH has opted not to record late fees or additional interest on the unpaid balance.

During the fiscal year the Academy made equipment lease payments totaling \$2,098, consisting of \$1,853 in principal and \$245 in interest.

Following is a schedule of the future minimum payments required under the leases as of June 30, 2023:

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

12. LEASES (continued)

C. GASB Statement No. 87 (continued)

Future Minimum Lease Due

<u>Fiscal Year Ending June 30.</u>	<u>Annual Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 242,374	\$ 209,326	\$ 33,048
2025	122,374	111,621	10,753
2026	122,374	115,764	6,610
2027	<u>120,396</u>	<u>118,054</u>	<u>2,342</u>
Total minimum lease payments	<u>\$ 607,518</u>	<u>\$ 554,765</u>	<u>\$ 52,753</u>

13. DEBT

Lease obligation is being recognized as debt due to the implementation of GASB Statement No. 87 as previously described in Note 12. The lease obligation is being amortized over the remaining life of the leases and presented as a reduction of lease liability in the accompanying financial statements. The discounted present values of all lease liabilities were calculated using the Academy's incremental borrowing rate of 3.65%.

Debt activity during fiscal year 2023 is shown in the following table.

Debt Activity					
<u>Owed To</u>	<u>Balance at 6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2023</u>	<u>Due in one year</u>
Lease Liabilities:					
Beverly Victory Avenue Property Holdings - Facility	\$ -	\$ 547,675	\$ -	\$ 547,675	\$ 207,175
Konica Minolta - copiers	<u>-</u>	<u>8,943</u>	<u>1,853</u>	<u>7,090</u>	<u>2,151</u>
Total	<u>\$ -</u>	<u>\$ 556,618</u>	<u>\$ 1,853</u>	<u>\$ 554,765</u>	<u>\$ 209,326</u>

In addition to the long term debt presented in the table, The Leona Group, LLC (TLG) extended several short-term loans totaling \$257,000 to the Academy to alleviate cash flow issues as provided for in the management agreement. As of June 30, 2023, all short-term loans were repaid to TLG. The management agreement provides for interest on short-term loans; TLG has opted to waive such interest.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective July 1, 2022 through June 30, 2027, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, The Leona Group, LLC receives a capitation fee of 12 percent of the per-pupil expenditures, with grant administration fees, if any, deducted directly from the fee. The Academy incurred capitation fees of \$81,828 for fiscal year 2023.

Terms of the management contracts require The Leona Group, LLC to provide the following:

- A. implementation and administration of the Educational Program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include a facility lease, salaries of The Leona Group, LLC, employees working at the Academy, and other costs related to providing educational and administrative services.

For the year ended June 30, 2023, those expenses are shown in the table below:

Related Party Transactions

Function (code range)

	Regular Instruction (1100)	Special Instruction (1200)	Support Services (2000)	Non- Instructional (3000-7000)	Total
Direct expenses:					
<u>Object (code range)</u>					
Salaries and wages (100)	\$ 178,697	\$ 40,644	\$ 148,477	\$ -	\$ 367,818
Employees' benefits (200)	39,248	13,108	56,835	-	109,191
Professional/technical services (410)	-	-	11,747	-	11,747
Property services (420)	-	-	5,290	-	5,290
Supplies (500)	932	-	5,780	-	6,712
Principal (810)	-	-	101,700	-	101,700
Interest (820)	-	-	18,300	-	18,300
Other direct costs (all other)	-	-	3,960	484	4,444
Total expenses	\$ 218,877	\$ 53,752	\$ 352,089	\$ 484	\$ 625,202

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2023, the Academy had payables to The Leona Group, LLC and affiliates in the amount of \$439,224. The following is a schedule of payables due to The Leona Group, LLC and affiliates:

<u>Balance Due to The Leona Group, LLC</u>	<u>June 30, 2023</u>
Management Fees	\$ 50,184
Payroll	388,706
Miscellaneous	<u>334</u>
 Total	 <u>\$ 439,224</u>

15. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables at June 30, 2023 totaling \$1,405 are shown in the table below:

Intergovernmental Payable	
<u>Source</u>	<u>June 30, 2023</u>
STRS employer contributions owed to another academy	\$ 1,405

16. NATIONAL SCHOOL LUNCH PROGRAM

Due to difficulties in obtaining the required credentials (Federal Unique Entity Identifier), the Academy was ineligible for National School Lunch Program (NSLP) funding in fiscal year 2023. Eligibility requirements have been met and the Academy will begin submitting NSLP claims in fiscal year 2024.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 27, 2023, the date on which the financial statements were submitted for audit. As of that date, no significant subsequent events were noted.

18. MANAGEMENT PLAN

The Academy has an operating loss of (\$662,723) and a net deficit of (\$503,307), including pension and OPEB expense adjustments of (\$52,108) that were beyond the control of the Academy, for the fiscal year ended June 30, 2023, as reported on the Statement of Revenues, Expense and Change in Net Position.

The loss and net deficit are attributable to low enrollment and high operating costs in the first year of operations. The loss is expected to continue into the second year of operations, as the Academy continues to increase student enrollment, providing an increase in operating revenues sufficient to meet the needs of the Academy.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(continued)

18. MANAGEMENT PLAN (continued)

During these formative years, the Academy's management company has provided assistance to ensure that employees and vendors are paid in a timely manner so that services and programs may continue without interruption. This assistance has been provided primarily through delayed repayment of payroll and management fees for which the Academy has contracted with the management company and have been recorded as liabilities on the Academy's Statement of Net Position.

It is the shared expectation of the Academy and management company that Academy operations will be closely monitored to minimize the operating deficit, and that all funds will be repaid to the management company as expeditiously as possible during the term of their contract.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Pension Contributions ⁽¹⁾
For the Fiscal Year Ended June 30, 2023

	2023
<i>School Employees Retirement System (SERS)</i>	
Contractually required pension contribution	\$ 4,888
Contributions in relation to the contractually required pension contribution	(4,888)
Contribution deficiency (excess)	\$ -
Academy's covered payroll	\$ 34,914
Contributions as a percentage of covered payroll	14.00%
 <i>State Teachers Retirement System (STRS)</i>	
Contractually required pension contribution	\$ 46,622
Contributions in relation to the contractually required pension contribution	(46,622)
Contribution deficiency (excess)	\$ -
Academy's covered payroll	\$ 333,014
Contributions as a percentage of covered payroll	14.00%

Note: See accompanying Notes to the Required Supplementary Information

⁽¹⁾ 2023 was the Academy's first year of operation. Schedule will eventually report ten years of data.

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's OPEB Contributions⁽¹⁾
For the Fiscal Year Ended June 30, 2023

	2023
<i>School Employees Retirement System (SERS)</i>	
Contractually required OPEB contribution ⁽²⁾	\$ 598
Contributions in relation to the contractually required OPEB contribution	(598)
Contribution deficiency (excess)	\$ -
Academy's covered payroll	\$ 34,914
Contributions as a percentage of covered payroll	1.71%
<i>State Teachers Retirement System (STRS)</i>	
Contractually required OPEB contribution	\$ -
Contributions in relation to the contractually required OPEB contribution	-
Contribution deficiency (excess)	\$ -
Academy's covered payroll	\$ 333,014
Contributions as a percentage of covered payroll	0.00%

Note: See accompanying Notes to the Required Supplementary Information

⁽¹⁾ 2023 was the Academy's first year of operation. Schedule will eventually report ten years of data.

⁽²⁾ Includes surcharge

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

1. ACADEMY'S FIRST YEAR OF OPERATION

Because net pension liability, net OPEB liability, and net OPEB asset are measured as of the previous fiscal year, and fiscal year 2023 was the Academy's first year of operation, the Academy is not reporting net pension liability, net OPEB liability, or net OPEB asset in fiscal year 2023. The Required Supplementary Information contains only the required employer contributions for fiscal year 2023, which will be recorded as reductions to net pension liability and net OPEB liability in fiscal year 2024.

2. NET PENSION LIABILITY

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

A. Changes in Assumptions – SERS

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

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

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

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

B. Changes in Benefit Terms – SERS

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

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

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023
(continued)

2. NET PENSION LIABILITY (continued)

C. Changes in Assumptions – STRS

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

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

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

D. Changes in Benefit Terms - STRS

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

3. NET OPEB LIABILITY (ASSET)

A. Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023
(continued)

3. NET OPEB LIABILITY (ASSET) (continued)

A. Changes in Assumptions – SERS (continued)

Pre-Medicare Trend Assumption

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

Medicare Trend Assumption

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

B. Changes in Benefit Terms – SERS

There have been no changes to the benefit provisions.

C. Changes in Assumptions – STRS

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

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

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

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

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

VICTORY ACADEMY OF TOLEDO
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023
(continued)

3. NET OPEB LIABILITY (ASSET) (continued)

C. Changes in Assumptions – STRS (continued)

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

D. Changes in Benefit Terms - STRS

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

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

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

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

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Victory Academy of Toledo
Lucas County
3648 Victory Avenue
Toledo, Ohio 43607

To the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Victory Academy of Toledo, Lucas County, Ohio, (the Academy) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 25, 2024, wherein we noted the Academy has suffered losses from operations and has a net deficiency.

Report on Internal Control Over Financial Reporting

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



Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2024

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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800-282-0370

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Victory Academy of Toledo
Lucas County
3648 Victory Avenue
Toledo, Ohio 43607

To the Governing Board:

Ohio Rev. Code § 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below solely to assist the Board in evaluating whether the Victory Academy of Toledo, Lucas County, Ohio (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code § 3313.666 and Ohio Rev. Code § 3314.03(a)(11)(d) for the period ended June 30, 2023. Management is responsible for complying with this requirement.

The Board has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of providing assistance in the evaluation of whether the school has adopted an anti-harassment policy in accordance with Ohio Rev. Code § 3313.666. No other party acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We inspected the Board minutes and observed that the Board adopted an anti-harassment policy at its meeting on September 7, 2022.

Ohio Rev. Code § 3313.666(B) and Ohio Rev. Code § 3314.03(a)(11)(d) specifies the following requirements must be included in anti-harassment policies. We inspected the policy for proper inclusion of these requirements:

1. A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;

2. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code § 3313.666. The act defines that term as “any intentional written, verbal, electronic or physical act that a student has exhibited toward another particular student more than once and the behavior both (1) causes mental or physical harm to the other student, (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student,” and violence within a dating relationship.;
3. A procedure for reporting prohibited incidents;
4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
5. A requirement that the custodial parent or guardian of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
6. A procedure for documenting any prohibited incident that is reported;
7. A procedure for responding to and investigating any reported incident;
8. A strategy for protecting a victim from new or additional harassment, intimidation, or bullying, and from retaliation following a report, including a means by which a person may report an incident anonymously;
9. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student’s rights under the first amendment to the Constitution of the United States;
10. A statement prohibiting students from deliberately making false reports of harassment, intimidation, or bullying and a disciplinary procedure for any student responsible for deliberately making a false report of that nature;
11. A requirement that the administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were engaged by the Academy to perform this agreed-upon procedure engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the Comptroller General of the United States’ *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Victory Academy of Toledo
Lucas County
Independent Accountants' Report on
Applying Agreed-Upon Procedures
Page 2

We are required to be independent of the Academy and to meet our ethical responsibilities, in accordance with the ethical requirements established by the Comptroller General of the United States' *Government Auditing Standards* related to our agreed upon procedures engagement.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2024

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OHIO AUDITOR OF STATE KEITH FABER



VICTORY ACADEMY OF TOLEDO

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/9/2024

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