



OHIO AUDITOR OF STATE
KEITH FABER



**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

DAMPE Community School
Hamilton County
2612 Gilbert Road
Cincinnati, Ohio 45206

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of DAMPE Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2021, and the changes in its 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 13, 2023

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(Unaudited)

The management's discussion and analysis of DAMPE Community School's (the School) financial performance provides an overall view of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the Notes to the Basic Financial Statements and the basic financial statements to enhance their understanding of the School's financial performance.

Key Financial Highlights of the School

Key 2021 financial highlights for the School are as follows:

- The School saw the net position decrease by \$179,497 during fiscal year 2021. The decrease is attributed to the recognition of net pension/Other Post Employment Benefits (OPEB) liabilities during the year. The School saw a positive cash flow of \$8,654.
- The School is required to report a net pension liability and OPEB liability of \$1,037,196 as these are components that significantly reduce the School's net position. By removing the items related to GASB 68 and GASB 75, the School would report a net position of (\$400,610).
- The total liabilities, excluding the pension and OPEB liabilities, of the School were down \$28,177 as of June 30, 2021.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of four components: the Management Discussion and Analysis, the basic financial statements, Notes to the Basic Financial Statements and Required Supplementary Information. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position presents information on all the School's assets, deferred outflows, liabilities and deferred inflows, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the School's net position changed during the most recent fiscal year. The Statement of Cash Flows presents the sources and uses of the School's cash and how it changed during the most recent fiscal year.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position at fiscal year-end for fiscal years 2021 and 2020 (GAAP basis).

	2021	2020
Assets:		
Current Assets	\$ 49,822	\$ 10,622
Noncurrent Assets	68,829	20,554
Total Assets	118,651	31,176
 Deferred Outflows of Resources	 833,085	 315,716
Liabilities		
Current Liabilities	181,761	314,548
Long-term Liabilities		
Net Pension Liability	911,717	287,300
OPEB Liability	125,479	9,353
Other Long-term Liabilities	337,500	232,845
Total Liabilities	1,556,457	844,046
 Deferred Inflows of Resources	 114,152	 42,222
Net Position:		
Net investment in capital assets	15,692	-
Restricted	19,382	4,618
Unrestricted	(753,947)	(543,994)
Total Net Position	\$ (718,873)	\$ (539,376)

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The School also reports GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all governments' 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 asset/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 School's proportionate share of each plan's collective:

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

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

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(Unaudited)

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

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

Including the pension/OPEB items, the School saw total assets increase by \$87,475 as the School saw the cash balance increase with higher FTE counts and several grant balances were outstanding. The School also reports capital assets for the first time for several pieces of instructional equipment. The School does report a net OPEB asset for one of the retirement systems mainly because of the change in assumptions on the discount rate used. The School also reports a security deposit receivable on the lease agreement.

The current liabilities decreased by \$132,787 as the School reported the majority of the prior management company loan as current but there is no amortization schedule so it has been moved to long term. The School recognized larger net pension and OPEB liabilities for the current year as the allocation percentage jumped that was assigned to the School by the retirement systems. That also helps explain why the deferred outflow of resources increased since those changes are amortized over the remaining service life for each retirement system.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 2
Changes in Net Position**

	2021	2020
Operating Revenues:		
State Foundation	\$ 1,402,765	\$ 697,693
Other	26,670	912
Total Operating Revenues	1,429,435	698,605
Operating Expenses:		
Fringe Benefits	346,066	88,402
Purchased Services	1,451,831	1,011,492
Materials and Supplies	20,124	15,409
Depreciation	3,923	-
Other	-	33,721
Total Operating Expenses	1,821,944	1,149,024
Operating Income (Loss)	(392,509)	(450,419)
Nonoperating Revenues		
Federal and State Grants	213,012	133,264
Total Nonoperating Revenues	213,012	133,264
Change in Net Position	(179,497)	(317,155)
Net Position, Beginning of Year	(539,376)	(222,221)
Net Position, End of the Year	\$ (718,873)	\$ (539,376)

The School saw the student population increase from 89 to 182 FTE resulting in the foundation revenue increasing over \$725,000 during fiscal year 2021. The another large increase between the two years is related to purchased services that increased by \$440,339 with the additional students. The School operates the staff as contracts which in turns pushes those figures higher. The School also reported higher net pension/opeb liabilities for fiscal year 2021 that created pension expenses being reported under fringe benefits.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2021
(Unaudited)

Budget Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the School's contract with its Sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on a bi-annual basis.

Capital Assets

At the end of 2021, the School had a \$15,692 capital asset balance. See Note 6 for more information on the School's capital assets.

Debt

At June 30, 2021, the School had \$340,345 of outstanding long term debt. See Note 11 for more information on the School's long term debt.

Current Financial Issues

The School saw the enrollment increase for fiscal year 2022 with the October 2021 FTE counts at 202 students compared to 182 at the end of fiscal year 2021.

Contacting the School

This financial report is designed to provide a general overview of the finances of the School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the School, 2162 Gilbert Road, Cincinnati, Ohio 45206.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO
STATEMENT OF NET POSITION**

AS OF JUNE 30, 2021

Assets:

Current assets:	
Cash and cash equivalents	\$ 9,817
Intergovernmental receivable	30,005
Prepays	10,000
Total current assets	<u>49,822</u>

Noncurrent assets:	
Net OPEB asset	38,137
Security deposit	15,000
Capital assets:	
Depreciable capital assets	15,692
Total noncurrent assets	<u>68,829</u>

Total Assets 118,651

Deferred Outflows of Resources:

Pension	653,161
OPEB	179,924

Total Deferred Outflows of Resources 833,085

Liabilities:

Current liabilities	
Accounts payable	178,916
Current portion of long term debt	2,845
Total current liabilities	<u>181,761</u>

Long term liabilities	
Net Pension liability	911,717
OPEB liability	125,479
Other portion of long term debt	337,500
Total long term liabilities	<u>1,374,696</u>

Total Liabilities 1,556,457

Deferred Inflows of Resources:

Pension	3,355
OPEB	110,797

Total Deferred Inflows of Resources 114,152

Net Position:

Net investment in capital assets	15,692
Restricted for grants	19,382
Unrestricted	<u>(753,947)</u>

Total Net Position \$ (718,873)

See accompanying Notes to the Basic Financial Statements

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating revenues:	
Foundation payments	\$ 1,402,765
Donations	5,000
Other operating revenues	<u>16,898</u>
Total operating revenues	<u>1,424,663</u>
Operating expenses:	
Fringe benefits	346,066
Purchased services	1,451,831
Materials and supplies	20,124
Depreciation	<u>3,923</u>
Total operating expenses	<u>1,821,944</u>
Operating Loss	(397,281)
Non-Operating revenues:	
Casino Tax	4,772
Federal and State grants	<u>213,012</u>
Total non-operating revenues	<u>217,784</u>
Change in net position	(179,497)
Net position at beginning of year	<u>(539,376)</u>
Net position at end of year	<u><u>\$ (718,873)</u></u>

See accompanying Notes to the Basic Financial Statements

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 1,402,836
Cash received from other operating revenues	21,898
Cash payments for personal services	(71,044)
Cash payments for contract services	(1,469,757)
Cash payments for supplies and materials	(17,490)
Net cash provided by operating activities	<u>(133,557)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	192,326
Principal paid on debt obligations	(30,500)
Net cash provided by noncapital financing activities	<u>161,826</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	<u>(19,615)</u>
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Net change in cash and cash equivalents	8,654
Cash and Cash Equivalents at beginning of year	<u>1,163</u>
Cash and Cash Equivalents at end of year	<u><u>9,817</u></u>

Reconciliation of operating loss to net cash used for operating activities:

Operating Loss	(397,281)
Adjustments to reconcile operating loss to net cash used operating activities:	
Change in assets and liabilities:	
Decrease in intergovernmental receivable	71
Increase in prepaids	(5,159)
Increase in OPEB asset	(17,583)
Increase in the security deposit	(15,000)
Increase in deferred outflows	(517,369)
Decrease in accounts payable	4,867
Decrease in intergovernmental payable	(2,499)
Increase in deferred inflows	71,930
Increase in net pension liability	624,417
Increase in OPEB liability	116,126
Total Adjustments	<u>259,801</u>

Net cash used for operating activities	<u><u>\$ (133,557)</u></u>
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See accompanying Notes to the Basic Financial Statements

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

DAMPE Community School, Hamilton County (the School) is a federal tax exempt 501(c)(3) and state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State’s education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with Cincinnati Charter School Collaborative (CCSC) for most of its functions (see Note 12).

The School began operations at the beginning of the 2019 school year. The School signed a contract with The Educational Resource Consultants of Ohio, Inc. (ERCO) (Sponsor) to operate for a period from July 1, 2018 through June 30, 2021, which was extended for three years to June 30, 2024. The School operates under a self-appointing, six-member Board of Directors (the Board). The School’s Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 School has one instructional/support facility, which is leased by the School. The facility is staffed with teaching personnel employed by CCSC, who provide service to 182 students.

The School is not considered a component unit for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *“The Financial Reporting Entity”* as amended by GASB Statement No. 39, *“Determining Whether Certain Organizations Are Component Units”* and GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus”*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The School uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, net position and cash flows.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

C. 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 contract between the School and its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

D. Cash and Investments

All monies received by the School are accounted for by the School's treasurer. All cash received is maintained in accounts in the School's name. Monies for the School are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Capital Assets and Depreciation

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 School maintains a capitalization threshold of \$5,000. The School does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under the items above for the year ended June 30, 2021 totaled \$1,615,777.

G. Net Position

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the Statement of Net Position reports 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 as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the Statement of Net Position. (See Notes 9 and 10.)

I. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. Estimates

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

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily the State Foundation program and specific charges to the students or users of the School. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

NOTE 3 – CASH AND CASH EQUIVALENTS

At fiscal year end June 30, 2021, the carrying amount of the School's deposits was \$9,817, and the bank balance was \$47,324. The entire bank balance was covered by Federal Deposit Insurance.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 3 – CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk is the risk that, in the event of bank failure, the School’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 School. The School 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 School to a successful claim by the FDIC.

NOTE 4 – PURCHASED SERVICES

For the fiscal year ended June 30, 2021, purchased services expenses were are as follows:

Professional and Technical	\$	905,902
Data processing		225,664
Student Transportation		116,352
Fiscal fees		90,507
Food Service		53,575
Legal		41,074
Utilities		17,562
Communications		1,195
Total	<u>\$</u>	<u>1,451,831</u>

NOTE 5 – RECEIVABLES

The School reported the following receivables at June 30, 2021:

ESSER Grant		\$9,644
Title VI-B Grant		4,090
Foundation Adjustment		3,210
Federal Food Service Subsidy		13,061
Total		<u>\$30,005</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021:

	Balance 6/30/20	Additions	Deductions	Balance 6/30/21
Capital Assets Being Depreciated				
Furniture and Equipment	\$0	\$19,615	0	\$19,615
Less Accumulated Depreciation				
Furniture and Equipment	0	(3,923)	0	(3,923)
Capital Assets, Net	<u>\$0</u>	<u>\$15,692</u>	<u>\$0</u>	<u>\$15,692</u>

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 7 – SPONSORSHIP AGREEMENT

The School has entered into a sponsorship agreement with ERCO (the Sponsor), whereby, the Sponsor shall receive compensation for services provided to the School. The Sponsor shall provide the School Treasurer with fiscal oversight and administrative support related to the following:

- A. Support to ensure that the financial records of the School are maintained in the same manner as are financial records of School, pursuant to rules of the Auditor of State.
- B. Compliance with the policies and procedures regarding internal financial control of the School.
- C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year, the School paid the Sponsor \$41,823 in sponsorship fees.

NOTE 8 – RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with CCSC, CCSC has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (see Note 12).

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$5,000 deductible.

There was no significant reduction in coverage from the prior year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	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 Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or \$86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). If the funded ratio is less than 70%, the entire 14% employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70% but less than 80%, at least 13.50% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund SERS' basic benefits.

For the fiscal year ended June 30, 2021, the funding percentage was 68.55%; therefore, the allocation to pension, death benefits, and Medicare B was 14 percent. Nothing was allocated to the Health Care Fund for fiscal year 2021.

The School's contractually required contribution to SERS was \$44,754 for fiscal year 2021.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65 or 35 years of service and at least age 60.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 schedules of employer allocations and pension amounts by employer.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$26,290 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportionate share of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the Net Pension Liability - prior measurement date	0.0002132%	0.00124147%	
Proportionate share of the Net Pension Liability - current measurement date	0.0058461%	0.00216992%	
Change in proportionate share	0.0056329%	0.00092845%	
Proportionate Share of the Net Pension Liability	\$386,673	\$525,044	\$911,717
Pension Expense	\$170,194	\$151,664	\$321,858

**DAMPE COMMUNITY SCHOOL
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$752	\$1,178	\$1,930
Net difference between projected and actual earnings on pension plan investments	24,545	25,532	50,077
Changes in proportionate share	207,674	294,251	501,925
Changes in assumptions	0	28,185	28,185
School contributions subsequent to the measurement date	44,754	26,290	71,044
Total Deferred Outflows of Resources	\$277,725	\$375,436	\$653,161
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$3,355	\$3,355
Total Deferred Inflows of Resources	\$0	\$3,355	\$3,355

\$71,044 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	(\$131,835)	(\$102,641)	(\$234,476)
2023	(83,220)	(93,636)	(176,856)
2024	(10,231)	(99,825)	(110,056)
2025	(7,685)	(49,689)	(57,374)
Total	(\$232,971)	(\$345,791)	(\$578,762)

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement.
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results on an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability were the same as the prior measurement date: (a) the assumed rate of inflation was 3.00%, (b) payroll growth assumption was 3.50%, (c) assumed real wage growth was 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members used to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was followed RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member used the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**DAMPE COMMUNITY SCHOOL
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$529,695	\$386,673	\$266,675

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.25 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study, effective June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	<u>2.25</u>
Total	<u>100.00 %</u>	<u>7.61 %</u>

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**DAMPE COMMUNITY SCHOOL
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 -- DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

Sensitivity of the School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	\$747,570	\$525,044	\$336,470

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Net OPEB Asset/Liability

The net OPEB asset/liability reported on the Statement of Net Position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. 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.

**DAMPE COMMUNITY SCHOOL
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, The Board seeks to maintain a funded ratio of at least 90% for basic pension benefits. If the basic benefit funded ratio is less than 70%, the entire 14% of the employers' contributions will be allocated to basic pension benefits. If the funded ratio is at least 70% but less than 80%, the minimum portion of the employers' contribution allocated to basic pension benefits is 13.50% of payroll; the remaining 0.50% may be allocated to the Health Care Fund at the Board's discretion. If the funded ratio is at least 80% but less than 90%, at least 13.25% of the employers' contribution will be allocated to basic pension benefits with the remaining 0.75% being allocated to the Health Care Fund at the Board's discretion. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund basic pension benefits.

For fiscal year 2021, the contribution to health care was 0 percent. 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 2021, the School paid \$0 for the SERS surcharge.

The School's contractually required contribution to SERS was \$0 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 Ohio 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 Ohio. 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, 2021, STRS Ohio did not allocate any employer contributions to post-employment health care.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

The net OPEB asset/liability was measured as of June 30, 2020, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School's proportionate share of the net OPEB asset/liability was based on the School's share of contributions to the OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability - prior measurement date	0.0003720%	0.00124100%	
Proportionate Share of the Net OPEB Liability - current measurement date	<u>0.0057736%</u>	<u>0.00216992%</u>	
Change in proportionate share	<u><u>0.0054016%</u></u>	<u><u>0.0009289%</u></u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$125,479	(\$38,137)	\$87,342
OPEB Expense (Income)	\$37,321	\$3,520	\$40,841

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,648	\$2,444	\$4,092
Changes of assumptions	21,390	630	22,020
Net difference between projected and actual earnings on pension plan investments	1,414	1,336	2,750
Changes in proportionate share	<u>144,556</u>	<u>6,506</u>	<u>151,062</u>
Total Deferred Outflows of Resources	<u><u>\$169,008</u></u>	<u><u>\$10,916</u></u>	<u><u>\$179,924</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$63,815	\$7,596	\$71,411
Changes in assumptions	<u>3,160</u>	<u>36,226</u>	<u>39,386</u>
Total Deferred Inflows of Resources	<u><u>\$66,975</u></u>	<u><u>\$43,822</u></u>	<u><u>\$110,797</u></u>

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

\$0 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	(\$18,064)	\$8,585	(\$9,479)
2023	(18,167)	7,681	(10,486)
2024	(18,152)	7,364	(10,788)
2025	(18,286)	7,167	(11,119)
2026	(19,251)	482	(18,769)
Thereafter	(10,113)	1,627	(8,486)
Total	(\$102,033)	\$32,906	(\$69,127)

Actuarial Assumptions - SERS

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

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

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	<u>5.00</u>	6.65
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Sensitivity of the School’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School's proportionate share of the net OPEB liability	\$153,583	\$125,479	\$103,136
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School's proportionate share of the net OPEB liability	\$98,805	\$125,479	\$161,149

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020 actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent, effective July 1, 2017 (COLA)
Blended Discount Rate of Return	7.45 percent
Health Care Cost Trends	-6.69 to 11.87 percent initial, 4 percent ultimate

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

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the current measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.984 percent to 2.055 percent per year, max 30 years effective January 1, 2021. Beginning in 2022, the STRS Ohio subsidy dollar amount for non-Medicare plans will be frozen at the current 2021 levels. Annual increases in the STRS Ohio subsidy dollar amount for Medicare plans will be based on the annual percentage increase in the Aetna Medicare Advantage Plan, limited to 6%.

For those who retire on or after August 2023, the first five years of service do not count towards the subsidy, so subsidy percentages are shifted five years, and those with less than 20 years of service receive no subsidy.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

Sensitivity of the School’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	\$33,181	\$38,137	\$51,121
	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	\$42,080	\$38,137	\$33,333

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – OTHER LONG-TERM OBLIGATIONS

The School has no long-term obligations that meet the GASB definition of a direct borrowing. The following are the long-term obligations outstanding for the School as of June 30, 2021 was as follows:

Description	Balance 06/30/20	Additions	Deletions	Balance 06/30/21	Due Within One Year
Start-Up Cost	\$20,845	\$0	\$16,500	\$4,345	\$2,845
EEG Loan	280,000	0	12,500	267,500	0
CCSC Loan	70,000	0	0	70,000	0
Net Pension Liability					
SERS	12,756	373,917	0	386,673	0
STRS	274,544	250,500	0	525,044	0
Net OPEB Liability					
SERS	9,353	116,126	0	125,479	0
Total	\$667,498	\$740,543	\$29,000	\$1,379,041	\$2,845

On March 16, 2019, the Board entered into an agreement to repay a loan for start-up costs of \$43,345 in the amount of \$1,500 per month until the amount is paid in full. The loan carries a zero percent interest rate.

On May 26, 2020, the Board received promissory notes from Educational Empowerment Group, LLC (EEG) and Cincinnati Charter School Collaborative, LLC (CCSC) for the amounts of \$350,000 and \$70,000 respectively. The Board paid \$12,500 on the EEG Promissory Note in 2021.

The School reports a portion of the unfunded net pension liability with the two retirement systems as described in Note 9.

The School reports a portion of the unfunded net OPEB liability with the one retirement system as described in Note 10. The School reports a portion of the net OPEB asset for the another retirement system.

NOTE 12 - AGREEMENT WITH CINCINNATI CHARTER SCHOOL COLLABORATIVE

Effective July 1, 2020, the School entered into a management agreement (Agreement) with the Cincinnati Charter School Collaborative (CCSC), which is an educational consulting and management company. The term of the Agreement with CCSC is for two years and will renew for one additional, successive two (2) year terms unless one party notifies the other party no later than six months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to CCSC. CCSC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay CCSC a monthly continuing fee of 16 percent of the School's "qualified gross revenues," defined in the Agreement as, all revenues and income received by the School except for charitable contributions. The continuing fee is paid to CCSC based on the qualified gross revenues.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 - AGREEMENT WITH CINCINNATI CHARTER SCHOOL COLLABORATIVE
(continued)

The School had purchased services for the fiscal year ended June 30, 2021, to CCSC, of \$202,336. CCSC will be responsible for procuring the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the school or reimbursed to CCSC.

NOTE 13 – CONTINGENCIES

A. Grants

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

B. School Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2021.

As of the date of this report, additional ODE adjustments for fiscal year 2021 have been finalized. As of the June final No.2, report the School has reported a receivable of \$3,210.

C. Pending Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 14 – LEASE AGREEMENT

The School has a lease on the property at 2612 Gilbert Avenue, Cincinnati, Ohio. The School reimbursed Dohn Community School's for the security deposit of \$15,000, which is reported on the financial statements as receivable.

NOTE 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the School. The impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 16 – SUBSEQUENT EVENT

For fiscal year 2022, community school foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

DAMPE Community School
 Required Supplementary Information
 Schedule of the School's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2021	2020
The School's Proportionate Share of the Net Pension Liability	0.0058461%	0.0002132%
The School's Proportionate Share of the Net Pension Liability	\$ 386,673	\$ 12,756
The School's Covered Payroll	\$ 170,319	\$ 48,037
The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	227.03%	26.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%

(1) Information prior to 2020 is not available.

Amount presented as of the School's measurement date, which is the prior fiscal year.

DAMPE Community School
 Required Supplementary Information
 Schedule of the School's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2021	2020
The School's Proportionate Share of the Net Pension Liability	0.00216992%	0.00124147%
The School's Proportionate Share of the Net Pension Liability	\$ 525,044	\$ 274,544
The School's Covered Payroll	\$ 261,879	\$ 145,750
The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%

(1) Information prior to 2020 is not available.

Amount presented as of the School's measurement date, which is the prior fiscal year.

DAMPE Community School
Required Supplementary Information
Schedule of the School's Pension Contributions
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 44,754	\$ 22,993	\$ 6,485
Contributions in Relation to the Contractually Required Contribution	<u>(44,754)</u>	<u>(22,993)</u>	<u>(6,485)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School's Covered Payroll	\$ 319,671	\$ 170,319	\$ 48,037
Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%

(1) Information prior to 2019 is not available.

DAMPE Community School
Required Supplementary Information
Schedule of the School's Pension Contributions
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 26,290	\$ 36,663	\$ 20,405
Contributions in Relation to the Contractually Required Contribution	<u>(26,290)</u>	<u>(36,663)</u>	<u>(20,405)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School's Covered Payroll	\$ 187,786	\$ 261,879	\$ 145,750
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) Information prior to 2019 is not available.

DAMPE Community School
 Required Supplementary Information
 Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset)
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2021	2020
The School's Proportionate share of the Net OPEB Liability	0.0057736%	0.0003720%
The School's Proportionate share of the Net OPEB Liability	\$ 125,479	\$ 9,353
The School's Covered Payroll	\$ 170,319	\$ 48,037
The School's Proportionate share of the Net OPEB Liability as a Percentage of its Covered Payroll	73.67%	19.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%

(1) Information prior to 2020 is not available.

Amount presented as of the School's measurement date, which is the prior fiscal year.

DAMPE Community School
 Required Supplementary Information
 Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset)
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2021	2020
The School's Proportionate share of the Net OPEB Liability	0.00216992%	0.00124100%
The School's Proportionate share of the Net OPEB Liability	\$ (38,137)	\$ (20,554)
The School's Covered Payroll	\$ 261,879	\$ 145,750
The School's Proportionate share of the Net OPEB Liability as a Percentage of its Covered Payroll	-14.56%	-14.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%

(1) Information prior to 2020 is not available.

Amount presented as of the School's measurement date, which is the prior fiscal year.

DAMPE Community School
Required Supplementary Information
Schedule of the School's OPEB Contributions
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ -	\$ 2,324	\$ 1,186
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>(2,324)</u>	<u>(1,186)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School's Covered Payroll	\$ 319,671	\$ 170,319	\$ 48,037
Contributions as a Percentage of Covered-Payroll	0.00%	1.36%	2.47%

(1) Information prior to 2019 is not available.

DAMPE Community School
 Required Supplementary Information
 Schedule of the School's OPEB Contributions
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School's Covered Payroll	\$ 187,786	\$ 261,879	\$ 145,750
Contributions as a Percentage of Covered-Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2019 is not available.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Note 1 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2020-2021: There were no changes to the benefit terms.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Changes in Assumptions:

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Note 2 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2019-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Municipal Bond Index Rate:
 - Prior Measurement Date 3.13%
 - Measurement Date 2.45%
- (2) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.22%
 - Measurement Date 2.63%

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.22%
- (2) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (2) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2021: The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Plan B monthly reimbursement elimination date was postponed indefinitely.

2020: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.944 % to 1.984 % per year of service effective January 1, 2020. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% 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.

**DAMPE COMMUNITY SCHOOL
HAMILTON COUNTY, OHIO**
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Changes in Assumptions:

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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

DAMPE Community School
Hamilton County
2612 Gilbert Road
Cincinnati, Ohio 45206

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of DAMPE Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 13, 2023. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 13, 2023

**DAMPE Community School
2162 Gilbert Road
Cincinnati, Ohio 45206**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Financial Mispostings and Note Disclosure Errors	Partially Corrected	Reissued as Management Letter Recommendation

OHIO AUDITOR OF STATE KEITH FABER



DAMPE COMMUNITY SCHOOL

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/28/2023

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