

**MIDDLETOWN PREPARATORY
AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SINGLE AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2022**

Zupka & Associates
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Members of the Board
Middletown Preparatory and Fitness Academy
816 Second Avenue
Middletown, Ohio 45044

We have reviewed the *Independent Auditor's Report* of the Middletown Preparatory and Fitness Academy, Butler County, prepared by Zupka & Associates, for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 06, 2023

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**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

Middletown Preparatory and Fitness Academy
Butler County
816 2nd Avenue
Middletown, Ohio 45044

To the Members of the Board:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Middletown Preparatory and Fitness Academy, Butler County, Ohio, (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middletown Preparatory and Fitness Academy as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. As discussed in Note 13 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. Our opinion is not modified with respect to these matters.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

December 29, 2022

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**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The discussion and analysis of the Middletown Preparatory and Fitness Academy's (The Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- Total assets were \$1,926,610 and deferred outflows of resources were \$1,002,500.
- Total liabilities were \$3,269,110 and deferred inflows of resources were \$1,736,572.
- Net position increased \$254,231 primarily due to changes in net pension liability and net OPEB asset/liability and the associated deferred outflows and deferred inflows.

Using this Financial Report

This report consists of three parts, the Management Discussion and Analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows

Reporting the Academy's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2022?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations.

Notes to the Basic Financial Statements

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Academy's net pension liability and net OPEB liability and the pension and OPEB contributions.

The table below provides a summary of the Academy's net position for fiscal year 2022 and 2021.

	Net Position	
	2022	2021
<u>Assets</u>		
Current assets	\$ 259,552	\$ 369,406
Non-current assets	1,667,058	187,778
Total assets	1,926,610	557,184
<u>Deferred outflows</u>	1,002,500	837,061
<u>Liabilities</u>		
Current liabilities	263,072	369,306
Long-term liabilities:		
Long-term obligations - due in one year	223,619	-
Long-term obligations - due in more than one year	1,224,352	-
Net OPEB liability	39,557	48,333
Net pension liability	1,518,510	2,746,232
Total liabilities	3,269,110	3,163,871
<u>Deferred inflows</u>	1,736,572	561,177
<u>Net Position</u>		
Net investment in capital assets	(17,269)	-
Unrestricted (deficit)	(2,059,303)	(2,330,803)
Total net position (deficit)	\$ (2,076,572)	\$ (2,330,803)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The Academy adopted 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 Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Academy'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.
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 Academy is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2022 and 2021, the Academy's net position totaled (\$2,076,572) and (\$2,330,803), respectively.

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The following table shows the change in net position for fiscal year 2022, as well as a listing of revenues and expenses.

Change in Net Position

	<u>2022</u>	<u>2021</u>
<u>Operating Revenues:</u>		
State foundation	\$ 2,533,533	\$ 2,562,212
Total operating revenue	<u>2,533,533</u>	<u>2,562,212</u>
<u>Operating Expenses:</u>		
Purchased services - management fees	3,461,957	3,438,098
Amortization	238,450	-
Other operating expenses	<u>(50,564)</u>	<u>208,784</u>
Total operating expenses	<u>3,649,843</u>	<u>3,646,882</u>
<u>Non-operating revenues (expenses):</u>		
Federal grants	1,167,569	962,441
State grants	249,411	109,004
Interest expense	<u>(46,439)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>1,370,541</u>	<u>1,071,445</u>
Change in net position	254,231	(13,225)
Net position (deficit) at the beginning of the year	<u>(2,330,803)</u>	<u>(2,317,578)</u>
Net position (deficit) at the end of the year	<u>\$ (2,076,572)</u>	<u>\$ (2,330,803)</u>

Overall, operating expenses remained relatively stable with a change of \$2,961. Other operating expenses decreased due to changes in the net pension liability, net OPEB asset/liability and associated deferred inflows and deferred outflows of resources. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. The Academy implemented GASB 87 during the year, which resulted in amortization expense of \$238,450 and interest expense of \$46,439 related to the Academy's building lease.

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and from federal entitlement programs. The Academy had an increase in State Foundation revenue due to an increase in enrollment. The Academy also received additional Federal funding related to COVID-19 grants.

Debt

At the end of fiscal year 2022, the Academy had \$1,447,971 in lease obligations outstanding. Of this amount, \$223,619 is due within one year.

Capital Assets

At the end of fiscal year 2022, the Academy had \$1,430,702 invested in intangible right to use assets related to building leases. The Academy recognized amortization expense of \$238,450.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Current Financial Related Activities

The Middletown Preparatory and Fitness Academy was formed in 2002 through a charter with the Ohio Department of Education. During the 2002-2003 school year there were approximately 95 students enrolled. Over the past fourteen years, the enrollment has fluctuated. In fiscal year 2022, enrollment decreased from 293 FTE (full time equivalent) to 285 FTE, a decrease of 8 FTE. The Academy receives most of its funding from state aid.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact Todd Taylor, Treasurer, at Middletown Preparatory and Fitness Academy, 2 Easton Oval, Suite 525, Columbus, Ohio 43219 or email at ttaylor@performanceacademies.com.

BASIC
FINANCIAL STATEMENTS

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2022

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 100
Receivables:	
Intergovernmental.	259,452
Total current assets	259,552
Non-current assets:	
Net OPEB asset.	236,356
Depreciable capital assets, net.	1,430,702
Total non-current assets.	1,667,058
Total assets.	1,926,610
Deferred outflows of resources:	
Pension	943,354
OPEB.	59,146
Total deferred outflows of resources	1,002,500
Liabilities:	
Current liabilities:	
Accounts payable.	259,452
Accrued interest payable	3,620
Total current liabilities	263,072
Non-current liabilities:	
Long-term obligations - due in one year.	223,619
Long-term obligations - due in more than one year.	1,224,352
Net pension liability	1,518,510
Net OPEB liability	39,557
Total non-current liabilities	3,006,038
Total liabilities	3,269,110
Deferred inflows of resources:	
Pension.	1,357,700
OPEB.	378,872
Total deferred inflows of resources	1,736,572
Net position:	
Net investment in capital assets.	(17,269)
Unrestricted (deficit).	(2,059,303)
Total net position (deficit).	\$ (2,076,572)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating revenues:	
Foundation revenue	\$ 2,533,533
Total operating revenues	<u>2,533,533</u>
Operating expenses:	
Purchased services - management fees.	3,461,957
Other operating expenses.	(50,564)
Amortization	238,450
Total operating expenses.	<u>3,649,843</u>
Operating loss	<u>(1,116,310)</u>
Non-operating revenues (expenses):	
Federal grants.	1,167,569
State grants.	249,411
Interest and fiscal charges	(46,439)
Total nonoperating revenues (expenses).	<u>1,370,541</u>
Change in net position	254,231
Net position (deficit) at beginning of year.	<u>(2,330,803)</u>
Net position (deficit) at end of year	<u><u>\$ (2,076,572)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:	
Cash received from state foundation	\$ 2,530,786
Cash payments to suppliers for goods and services . .	(3,566,317)
Cash payments for fringe benefits	(224,556)
	<hr/>
Net cash used in operating activities.	(1,260,087)
Cash flows from noncapital financing activities:	
Cash received from federal grants.	1,274,676
Cash received from State grants.	249,411
	<hr/>
Net cash provided by noncapital financing activities.	1,524,087
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(42,819)
Principal retirement on lease	(221,181)
	<hr/>
Net cash used in capital and related financing activities.	(264,000)
Net increase in cash and cash equivalents.	-
Cash and cash equivalents at beginning of year . . .	100
Cash and cash equivalents at end of year	\$ 100
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (1,116,310)
Adjustments:	
Amortization	238,450
Changes in assets and liabilities:	
Decrease in accounts receivable	2,747
Decrease in accounts payable.	(107,107)
Decrease in intergovernmental payable	(2,747)
Decrease in net pension liability.	(1,227,722)
Increase in net OPEB asset.	(48,578)
Decrease in net OPEB liability.	(8,776)
Increase in deferred inflows - pension	1,159,791
Increase in deferred inflows - OPEB	15,604
Increase in deferred outflows - pension	(174,316)
Decrease in deferred outflows - OPEB.	8,877
	<hr/>
Net cash used in operating activities	\$ (1,260,087)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Middletown Preparatory and Fitness Academy (the “Academy”) has been approved as a tax exempt status nonprofit corporation under Section 501c(3) of the Internal Revenue Code. It was established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade eight. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax exempt status.

The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy contracts with Performance Academies Inc. for most of its functions. See Note 4.

The Academy was approved for operation under a contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing in July 2005. The Sponsor is responsible for evaluation the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Effective July 1, 2010, the Academy is under contract with the Ohio Council of Community Schools for a period of 10 years.

The Academy operates under the direction of a seven-member Board of Directors (the “Board). 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, admissions standards, and qualifications of teachers. The Board of Directors leases the Academy’s one instructional/support facility from Performance Academies, Inc. as noted in the management agreement. The facility is staffed with teaching personnel employed by Performance Academies, Inc. The Board also operates the following schools:

Trotwood Preparatory and Fitness Academy	Cincinnati, Ohio
Mt. Healthy Preparatory and Fitness Academy	Mt. Healthy, Ohio
Springfield Preparatory and Fitness Academy	Springfield, Ohio

Also, the Academy is associated with the META Solutions, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources (See Note 11).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

B. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The Statement of Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the Academy finances and meets cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, See Notes 5 and 6 for deferred outflows of resources related the Academy's net pension liability and net OPEB liability/asset, respectively.

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 Academy, See Notes 5 and 6 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

E. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its sponsor.

The contract between the Academy and its sponsor requires that monthly budget reports be prepared comparing actual for the month to budgeted amount for the month. It also requires that a variance report accompany the monthly reports identifying areas that may need to be adjusted to maintain a balanced budget. Monthly reports and timely presentations are to be furnished to the Board by the treasurer with recommendations for Board action to adjust the spending plan as appropriate action is warranted.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

F. Capital Assets

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Academy has established a capitalization threshold of \$5,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

G. Net Position

Net position represents the difference between the assets and deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available.

H. Concentration of Business and Current Risk

As of June 30, 2022, funds received from the federal and State of Ohio governments represented 100.00% of the revenues reported by the Academy. Accordingly, the risk exists that the ability to receive funds from these governments could affect the financial status of the Academy.

I. Deposits

The Academy maintains its cash balance in a demand deposit account. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2022, the Academy's cash balance was \$100, so 100 percent was covered by FDIC. The Academy had no investments at June 30, 2022, or during the fiscal year.

J. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Operating Revenues and Expenses

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

L. Pensions/Other Postemployment Benefits (OPEB)

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2022, the Academy has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Academy recognized \$1,669,152 in leases payable at July 1, 2021; however, this entire amount was offset by the intangible asset, right to use lease – buildings.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Academy.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Academy.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Academy.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Academy.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Academy.

NOTE 4 - AGREEMENT WITH PERFORMANCE ACADEMIES, INC.

On July 1, 2013, the Academy contracted with Performance Academies, Inc., to provide educational programs that offer educational excellence and innovation based upon the Academy's unique school design, comprehensive educational program, and sound school and business principles and management methodologies. This contract remains in effect as long as the Academy continues to renew the contract and has entered into or is continuing to operate under any chartering school contract. Under the contract Performance Academies, Inc. is responsible for providing educational and management services and products, human resources administration, including school personnel and business management, curricula, programs, contract administration and technology. Significant provisions of the contract are as follows:

A. Financial Provisions

Management Consulting and Operation Fee

The Academy pays Performance Academies, Inc. all state and federal per pupil allocations, transportation, technology or other operational funds, including private donations, endowments, or grants applied for on behalf of the Academy, except for two percent of the base state per pupil allocation. This two percent is to be retained by the Academy as a Board Reserve to be used by June 30 of each year for the Academy's benefit. The amount paid to Performance Academies, Inc. by the Academy is reflected in the Statement of Revenues, Expenses, and Changes in Net Position as Purchased Services - Management Fees operating expense.

The Academy's Financial Responsibility

The Academy uses the Board Reserve to pay Board members' compensation; expenses for fund raising and grant writing accomplished by the Academy; and other expenses for the benefit of the Academy at the Board's discretion. The actual transactions related to these expenditures are performed by Performance Academies, Inc. under the Academy's direction.

Performance Academies, Inc. Financial Responsibilities

Performance Academies, Inc. is responsible for the payment of all wages, compensation and expenses of Performance Academies, Inc. or the Academy including the Superintendent, Treasurer, assistants, administrators, clerical staff, and teachers. Performance Academies, Inc. is also responsible for and janitorial services; worker's compensation; other insurance; necessary comprehensive or premises liability insurance; and attorney fees. Performance Academies, Inc. pays their own office expenses and supplies; leases for equipment and the Academy offices or facilities; and travel, lodging and other expenses incurred pursuant to services rendered by Performance Academies, Inc.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - AGREEMENT WITH PERFORMANCE ACADEMIES, INC. - (Continued)

Financial Reporting by Performance Academies, Inc.

Performance Academies, Inc. shall provide the Academy's Board with a proposed and projected annual budget prior to opening each fiscal year; statements of all revenues received with respect to the Academy, and statements of all direct expenditures for services rendered to or on behalf of the Academy. Performance Academies, Inc. also provides consultation on annual audits in compliance with state law and regulations showing the manner in which funds are spent for the Academy. Performance Academies, Inc. reports on Academy operations and finances on a quarterly basis and other information on a reasonably requested basis to enable the Board to monitor the performance of the Academy; and a reasonable opportunity to inspect, examine, audit and otherwise review the books, records, accounts, ledgers and other financial documents of Performance Academies, Inc. to the extent that they relate to or otherwise pertain to activities of the Academy.

Financial Reporting by the Academy

The Academy shall provide Performance Academies, Inc. with statements of all funds received by the Academy from grants applied for by the Academy, donations or endowments and statements of all expenditures and investments made with such funds, as well as with the Board Reserve funds.

B. Personnel

Performance Academies, Inc. selects and hires all teaching staff, administrative or other staff. They also evaluate, assign, discipline and transfer personnel. Performance Academies, Inc. also selects the Academy's Superintendent and establishes employment terms. During the first two years of operation, the Superintendent shall be a representative of Performance Academies, Inc. Performance Academies, Inc. determines the number of teachers needed for the operation of the Academy and selects and hires all teachers. The personnel who perform services at the Academy are employees or subcontractors or service providers of Performance Academies, Inc. and are paid by Performance Academies, Inc.

C. Agreement Termination

Termination by the Academy

The Academy may terminate the Contract after prior written notice to Performance Academies, Inc. if the Academy ceases to be approved by the Ohio Department of Education as an Ohio Community School and the Academy or Performance Academies, Inc. cannot secure another sponsor; upon sixty days prior written notice in the event that Performance Academies, Inc. be guilty of a felony or fraud, gross negligence, or other act of willful or gross misconduct in the rendering of services under the Agreement, or in the event that Performance Academies, Inc. fails to remedy a material breach of its duties or obligation within six months after written notice of the breach is provided to Performance Academies, Inc. by the Academy, if Performance Academies, Inc. has failed to cure such breach during the first three months of the notice period.

Termination by Performance Academies, Inc.

Performance Academies, Inc. may terminate the Contract in the event the Academy materially breaches the Agreement and the Academy fails to remedy such a breach within ninety days of its receipt of written notice of such breach from Performance Academies, Inc.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

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

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 6 for the required OPEB disclosures.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Academy’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.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - 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 after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the Academy is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$17,253 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Academy's contractually required contribution to STRS was \$217,564 for fiscal year 2022.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.002434100%	0.010684360%	
Proportion of the net pension liability current measurement date	<u>0.002309000%</u>	<u>0.011210123%</u>	
Change in proportionate share	<u>-0.000125100%</u>	<u>0.000525763%</u>	
Proportionate share of the net pension liability	\$ 85,195	\$ 1,433,315	\$ 1,518,510
Pension expense	\$ (108,071)	\$ 100,641	\$ (7,430)

At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 8	\$ 44,285	\$ 44,293
Changes of assumptions	1,794	397,628	399,422
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	264,822	264,822
Contributions subsequent to the measurement date	<u>17,253</u>	<u>217,564</u>	<u>234,817</u>
Total deferred outflows of resources	<u>\$ 19,055</u>	<u>\$ 924,299</u>	<u>\$ 943,354</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 2,209	\$ 8,983	\$ 11,192
Net difference between projected and actual earnings on pension plan investments	43,878	1,235,245	1,279,123
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>67,385</u>	<u>-</u>	<u>67,385</u>
Total deferred inflows of resources	<u>\$ 113,472</u>	<u>\$ 1,244,228</u>	<u>\$ 1,357,700</u>

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$234,817 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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:			
2023	\$ (76,441)	\$ (80,700)	\$ (157,141)
2024	(11,329)	(78,923)	(90,252)
2025	(10,433)	(154,261)	(164,694)
2026	(13,467)	(223,609)	(237,076)
Total	\$ (111,670)	\$ (537,493)	\$ (649,163)

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.

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**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.50%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.50% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.50%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon 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.

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

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 141,744	\$ 85,195	\$ 37,505

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.45%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through 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	1.00	2.25
Total	100.00 %	

*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net pension liability	\$ 2,684,063	\$ 1,433,315	\$ 376,436

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 7 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Academy's surcharge obligation was \$412.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$412 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.002223900%	0.010684360%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.002090100%</u>	<u>0.011210123%</u>	
Change in proportionate share	<u>-0.000133800%</u>	<u>0.000525763%</u>	
Proportionate share of the net OPEB liability	\$ 39,557	\$ -	\$ 39,557
Proportionate share of the net OPEB asset	\$ -	\$ (236,356)	\$ (236,356)
OPEB expense	\$ (20,832)	\$ (11,629)	\$ (32,461)

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**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2022, the Academy 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	\$ 421	\$ 8,416	\$ 8,837
Changes of assumptions	6,205	15,098	21,303
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	6,987	21,607	28,594
Contributions subsequent to the measurement date	<u>412</u>	<u>-</u>	<u>412</u>
Total deferred outflows of resources	<u>\$ 14,025</u>	<u>\$ 45,121</u>	<u>\$ 59,146</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 19,701	\$ 43,305	\$ 63,006
Net difference between projected and actual earnings on OPEB plan investments	861	65,511	66,372
Changes of assumptions	5,415	141,003	146,418
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>99,879</u>	<u>3,197</u>	<u>103,076</u>
Total deferred inflows of resources	<u>\$ 125,856</u>	<u>\$ 253,016</u>	<u>\$ 378,872</u>

\$412 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	\$ (24,831)	\$ (59,674)	\$ (84,505)
2024	(24,839)	(58,035)	(82,874)
2025	(24,192)	(55,422)	(79,614)
2026	(24,134)	(25,818)	(49,952)
2027	(12,963)	(9,198)	(22,161)
Thereafter	<u>(1,284)</u>	<u>252</u>	<u>(1,032)</u>
Total	<u>\$ (112,243)</u>	<u>\$ (207,895)</u>	<u>\$ (320,138)</u>

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	1.92%
Prior measurement date	2.45%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	2.27%
Prior measurement date	2.63%
Medical trend assumption:	
Current measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon 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.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 49,016	\$ 39,557	\$ 32,000
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 30,456	\$ 39,557	\$ 51,713

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**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

	June 30, 2021		June 30, 2020	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.00%	4.00%
Medicare	-16.18%	4.00%	-6.69%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	6.50%	4.00%
Medicare	29.98%	4.00%	11.87%	4.00%

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

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

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

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected 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	<u>100.00 %</u>	

*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the Academy'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, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	Academy's proportionate share of the net OPEB asset	\$ 199,448	\$ 236,356
	1% Decrease	Current Trend Rate	1% Increase
	Academy's proportionate share of the net OPEB asset	\$ 265,938	\$ 236,356

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 (see Note 3 for detail), the Academy has reported obligations for leases payable which are reflected in the schedule below. The Academy's long-term obligations during the year consist of the following:

	Restated Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>	Amounts Due in <u>One Year</u>
Net pension liability	\$ 2,746,232	\$ -	\$ (1,227,722)	\$ 1,518,510	\$ -
Net OPEB liability	48,333	-	(8,776)	39,557	-
Lease obligation	<u>1,669,152</u>	-	<u>(221,181)</u>	<u>1,447,971</u>	<u>223,619</u>
Total long-term obligations	<u>\$ 4,463,717</u>	<u>\$ -</u>	<u>\$ (1,457,679)</u>	<u>\$ 3,006,038</u>	<u>\$ 223,619</u>

Net Pension Liability: See Note 5 for information on the Academy's net pension liability.

Net OPEB Liability: See Note 6 for information on the Academy's net OPEB liability.

Lease Payable: In a prior fiscal year, the Academy entered into a lease agreement for the right to use a building for classroom space. In accordance with GASB Statement No. 87, the Academy has reported an intangible capital asset and corresponding liability for the future scheduled payments under the lease agreements.

The Academy entered into a lease agreement with Sports and Recreational Properties LLC for classroom space for the Academy. The term of the lease commenced June 30, 2017, and continues through June 30, 2028. The Academy shall pay to the lessor a monthly amount of \$22,000 based on enrollment of 240 students. If at any time during the lease term, there is an increase of 50 or more students, rent increases \$500 per month per 50 students. The monthly payment for fiscal year 2022 was \$22,000.

The following is a schedule of future lease payments under the lease agreement:

Fiscal Year	Lease Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 223,619	\$ 40,381	\$ 264,000
2024	230,420	33,580	264,000
2025	237,429	26,571	264,000
2026	244,651	19,349	264,000
2027	252,092	11,908	264,000
2028	<u>259,760</u>	<u>4,240</u>	<u>264,000</u>
Total	<u>\$ 1,447,971</u>	<u>\$ 136,029</u>	<u>\$ 1,584,000</u>

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - CAPITAL ASSETS

Due to the implementation of GASB Statement No. 87 (see Note 3 for detail), the Academy has reported capital assets for intangible right to use, leased - building at July 1, 2021, which is reflected in the schedule below. Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>Restated Balance 07/01/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/22</u>
Capital assets, being amortized:				
Intangible right to use:				
Leased building	\$ 1,669,152	\$ -	\$ -	\$ 1,669,152
Accumulated amortization	<u>-</u>	<u>(238,450)</u>	<u>-</u>	<u>(238,450)</u>
Capital assets, net	<u>\$ 1,669,152</u>	<u>\$ (238,450)</u>	<u>\$ -</u>	<u>\$ 1,430,702</u>

NOTE 9 - PURCHASED SERVICES

For the period ended June 30, 2022, purchased service expenses represent management services rendered by Performance Academies, Inc. (See Note 4) and STRS and SERS expenses made by the Academy on behalf of Performance Academies, Inc.

Purchased Services Agreement	\$ 3,461,957
SERS and STRS Expenses	<u>(50,564)</u>
Total Purchased Services	<u>\$ 3,411,393</u>

NOTE 10 - RECEIVABLES

Receivables at June 30, 2022, consisted of intergovernmental receivables arising from grants and entitlements and accounts receivable related to miscellaneous receipts. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
IDEA Part B	\$ 11,128
Title II-A	3,582
Title IV	2,584
Title III	2,630
Title I-A	44,579
Elementary and Secondary School Emergency Relief	193,121
Early Childhood Special Education	631
ARP IDEA	<u>1,197</u>
Total intergovernmental receivables	<u>\$ 259,452</u>

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 11 - CONTINGENCIES

A. Grants

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

B. State Foundation Funding

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized and did not have a material impact on the Academy.

C. Litigation

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

NOTE 12 - METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION (META) SOLUTIONS

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

NOTE 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the Academy received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14- MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2022, Performance Academies, Inc. incurred the following expenses on behalf of the Academy:

Direct Expenses:	
Salaries & Wages	
Regular Instruction	\$ 816,087
Special Instruction	356,528
Other Instruction	116,610
Support Services	421,808
Employees' Benefits	
Regular Instruction	326,908
Special Instruction	144,587
Other Instruction	31,365
Support Services	152,216
Professional and Technical Services	
Regular Instruction	13,208
Special Instruction	62,232
Other Instruction	225
Support Services	294,509
Property Services	
Support Services	85,269
Noninstructional Activities	428,229
Utilities	
Utilities	34,978
Contracted Services	
Contracted Services	208,092
Transportation	
Transportation	9,917
Other Purchased Services	
Other Purchased Services	92,678
Supplies	
Regular Instruction	160,473
Other Instruction	533
Support Services	50,562
Other Direct Costs	<u>39,058</u>
Total Expenses	<u><u>\$ 3,846,072</u></u>

Overhead charges of \$920,167 included in direct costs are assigned to the Academy based on a percentage of FTE students per Academy. These charges represent the indirect cost of services in the operation of the Academy. Such services include but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources, management, training and orientation financial reporting and compliance, purchasing and procurement, education services, technology support and marketing communications.

NOTE 15 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets' errors and omissions; and natural disasters. As part of its management agreement with Performance Academies, Inc., Performance Academies, Inc. has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

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REQUIRED SUPPLEMENTARY INFORMATION

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Academy's proportion of the net pension liability	0.00230900%	0.00243410%	0.00707300%	0.00677520%
Academy's proportionate share of the net pension liability	\$ 85,195	\$ 160,997	\$ 423,190	\$ 388,028
Academy's covered payroll	\$ 80,250	\$ 77,900	\$ 243,830	\$ 227,481
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	106.16%	206.67%	173.56%	170.58%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.00678850%	0.00693210%	0.00733450%	0.00934200%	0.00934200%
\$ 405,598	\$ 507,366	\$ 418,514	\$ 472,793	\$ 555,539
\$ 218,443	\$ 215,286	\$ 220,804	\$ 271,450	\$ 543,837
185.68%	235.67%	189.54%	174.17%	102.15%
69.50%	62.98%	69.16%	71.70%	65.52%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Academy's proportion of the net pension liability	0.01121012%	0.01068436%	0.01042466%	0.00880171%
Academy's proportionate share of the net pension liability	\$ 1,433,315	\$ 2,585,235	\$ 2,305,351	\$ 1,935,298
Academy's covered payroll	\$ 1,383,257	\$ 1,289,436	\$ 1,223,893	\$ 1,000,607
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	103.62%	200.49%	188.36%	193.41%
Plan fiduciary net position as a percentage of the total pension liability	87.78%	75.48%	77.40%	77.31%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.00797067%	0.00817989%	0.00969474%	0.00969275%	0.00969275%
\$ 1,893,450	\$ 2,738,056	\$ 2,679,343	\$ 2,357,612	\$ 2,808,372
\$ 876,279	\$ 860,679	\$ 1,011,486	\$ 990,331	\$ 975,831
216.08%	318.13%	264.89%	238.06%	287.79%
75.30%	66.80%	72.10%	74.70%	69.30%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 17,253	\$ 11,235	\$ 10,906	\$ 32,917
Contributions in relation to the contractually required contribution	<u>(17,253)</u>	<u>(11,235)</u>	<u>(10,906)</u>	<u>(32,917)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 123,236	\$ 80,250	\$ 77,900	\$ 243,830
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 30,710	\$ 30,582	\$ 30,140	\$ 29,102	\$ 37,623	\$ 75,267
<u>(30,710)</u>	<u>(30,582)</u>	<u>(30,140)</u>	<u>(29,102)</u>	<u>(37,623)</u>	<u>(75,267)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 227,481	\$ 218,443	\$ 215,286	\$ 220,804	\$ 271,450	\$ 543,837
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 217,564	\$ 193,656	\$ 180,521	\$ 171,345
Contributions in relation to the contractually required contribution	<u>(217,564)</u>	<u>(193,656)</u>	<u>(180,521)</u>	<u>(171,345)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,554,029	\$ 1,383,257	\$ 1,289,436	\$ 1,223,893
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 140,085	\$ 122,679	\$ 120,495	\$ 141,608	\$ 128,743	\$ 126,858
<u>(140,085)</u>	<u>(122,679)</u>	<u>(120,495)</u>	<u>(141,608)</u>	<u>(128,743)</u>	<u>(126,858)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,000,607	\$ 876,279	\$ 860,679	\$ 1,011,486	\$ 990,331	\$ 975,831
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Academy's proportion of the net OPEB liability	0.00209010%	0.00223900%	0.00666220%	0.00612800%
Academy's proportionate share of the net OPEB liability	\$ 39,557	\$ 48,333	\$ 167,540	\$ 170,007
Academy's covered payroll	\$ 80,250	\$ 77,900	\$ 243,830	\$ 227,481
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	49.29%	62.04%	68.71%	74.73%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2018</u>	<u>2017</u>
	0.00617730%	0.00629822%
\$	165,783	\$ 179,523
\$	218,443	\$ 215,286
	75.89%	83.39%
	12.46%	11.49%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Academy's proportion of the net OPEB liability/asset	0.01121012%	0.01068436%	0.01042466%	0.00880171%
Academy's proportionate share of the net OPEB liability/(asset)	\$ (236,356)	\$ (187,778)	\$ (172,657)	\$ (141,434)
Academy's covered payroll	\$ 1,383,257	\$ 1,289,436	\$ 1,223,893	\$ 1,000,607
Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	17.09%	14.56%	14.11%	14.13%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.73%	182.10%	174.70%	176.00%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2018</u>		<u>2017</u>
	0.00797067%		0.00817989%
\$	310,986	\$	437,463
\$	876,279	\$	860,679
	35.49%		50.83%
	47.10%		37.30%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 412	\$ -	\$ -	\$ 2,538
Contributions in relation to the contractually required contribution	<u>(412)</u>	<u>-</u>	<u>-</u>	<u>(2,538)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 123,236	\$ 80,250	\$ 77,900	\$ 243,830
Contributions as a percentage of covered payroll	0.33%	0.00%	0.00%	1.04%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,137	\$ 76	\$ 527	\$ 2,590	\$ 874	\$ 817
<u>(1,137)</u>	<u>(76)</u>	<u>(527)</u>	<u>(2,590)</u>	<u>(874)</u>	<u>(817)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 227,481	\$ 218,443	\$ 215,286	\$ 220,804	\$ 271,450	\$ 543,837
0.50%	0.03%	0.24%	1.17%	0.32%	0.15%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,554,029	\$ 1,383,257	\$ 1,289,436	\$ 1,223,893
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,739	\$ 9,061
-	-	-	-	(10,739)	(9,061)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,000,607	\$ 876,279	\$ 860,679	\$ 1,011,486	\$ 990,331	\$ 975,831
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

Changes in assumptions :

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

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

(Continued)

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION (CONTINUED)

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

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

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Expenditures
<u>U.S. Department of Agriculture</u>		
<i>Passed through Ohio Department of Education</i>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 84,967
National School Lunch Program	10.555	89,455
COVID-19 - National School Lunch Program	10.555	32,854
Total Child Nutrition Cluster		<u>207,276</u>
COVID-19 - Pandemic EBT Administrative Costs	10.649	614
Total U.S. Department of Agriculture		<u>207,890</u>
<u>U.S. Department of Education</u>		
<i>Passed through Ohio Department of Education</i>		
Title I - Grants to Local Educational Agencies - 2021	84.010	9,602
Title I - Grants to Local Educational Agencies - 2022	84.010	177,281
Title I - Grants to Local Educational Agencies - Expanding Opportunities	84.010A	6,540
<i>Total ALN #84.010</i>		<u>193,423</u>
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	76,105
COVID-19 -Special Education - Grants to States ARP IDEA Part B	84.027X	16,153
Special Education Preschool Grants	84.173	631
Total Special Education Cluster		<u>92,889</u>
English Language Acquisition State Grants	84.365	13,280
Improving Teacher Quality State Grants	84.367	20,771
Student Support and Academic Enrichment Program	84.424	15,503
Education Stabilization Fund:		
COVID-19 - Education Stabilization Fund - ESSER II	84.425D	403,563
COVID-19 - Education Stabilization Fund - ARP ESSER	84.425U	151,495
<i>Total ALN #84.425</i>		<u>555,058</u>
Total U.S. Department of Education		<u>890,924</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,098,814</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

The Middletown Preparatory and Fitness Academy has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

Middletown Preparatory and Fitness Academy
Butler County
816 2nd Avenue
Middletown, Ohio 45044

To the Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Middletown Preparatory and Fitness Academy, Butler County, Ohio, (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 29, 2022, wherein we noted the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy.

Report on Internal Control Over Financial Reporting

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

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

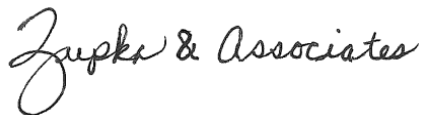
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Zupka & Associates
Certified Public Accountants

December 29, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Middletown Preparatory and Fitness Academy
Butler County
816 2nd Avenue
Middletown, Ohio 45044

To the Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Middletown Preparatory and Fitness Academy, Butler County, Ohio's (the Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2022. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Middletown Preparatory and Fitness Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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


Report on Internal Control over Compliance

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

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

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

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



Zupka & Associates
Certified Public Accountants

December 29, 2022

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

2022(i)	Type of Financial Statement Opinion	Unmodified
2022(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2022(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2022(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2022(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2022(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2022(v)	Type of Major Programs' Compliance Opinions	Unmodified
2022(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2022(vii)	Major Programs (list): Education Stabilization Fund - ESSER II - ALN #84.425D and ARP ESSER - ALN #84.425U	
2022(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others less than \$750,000
2022(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY
BUTLER COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The prior audit report, as of June 30, 2021, included no citations or instances of noncompliance.

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OHIO AUDITOR OF STATE KEITH FABER



MIDDLETOWN PREPARATORY AND FITNESS ACADEMY

BUTLER 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 3/16/2023

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