# DAYTON ATHLETIC VOCATIONAL ACADEMY

## MONTGOMERY COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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

Board of Directors
Dayton Athletic Vocational Academy
1675 Woodman Drive
Dayton, Ohio 45432

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

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

Keith Faber
Auditor of State
Columbus, Ohio

**October 11, 2024**

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**DAYTON ATHLETIC VOCATIONAL ACADEMY**
**MONTGOMERY COUNTY**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dayton Athletic Vocational Academy
Montgomery County, Ohio
1675 Woodman Dr.
Dayton, OH 45432

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Dayton Athletic Vocational Academy (the “School”), Montgomery County, Ohio, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Dayton Athletic Vocational Academy, Montgomery County, Ohio, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and other post-employment benefit schedules, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
August 14, 2024

The management's discussion and analysis of Dayton Athletic Vocational Academy's (the School) financial performance provides an overall view of the School's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the Notes to the Basic Financial Statements and the basic financial statements to enhance their understanding of the School's financial performance.

## Key Financial Highlights of the School

Key 2023 financial highlights for the School are as follows:

- The School saw the net position increase by $93,409 during fiscal year 2023. The biggest reason for the change was the increase in the enrollment figures that helped the School finish the year with a positive cash balance.

- The School is required to report a net pension liability and OPEB liability of $475,294 as these are components that significantly reduce the School's unrestricted net position. By removing the items related to GASB 68 and GASB 75, the School would report an unrestricted net position of ($30,811.)

- The School saw the FTE counts increase from 49 in fiscal year 2022 to 89 at the end of fiscal year 2023. This increase allowed the cash balance to increase to $50,206 by year end; whereas, the School had a management payable in the prior year.

## Using this Annual Financial Report and Overview of Financial Statements

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

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

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

**Financial Analysis**

Table 1 provides a summary of the School's net position at fiscal year-end for fiscal years 2023 and 2022 (GAAP basis).

**Table 1**
**Statement of Net Position**

| | 2023 | 2022 | Change |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $ 101,682 | $ 12,023 | $ 89,659 |
| Noncurrent Assets | 650,502 | 773,705 | (123,203) |
| Total Assets | 752,184 | 785,728 | (33,544) |
| Deferred Outflows of Resources | 417,480 | 404,506 | 12,974 |
| Liabilities | | | |
| Current Liabilities | 251,183 | 228,857 | 22,326 |
| Long-term Liabilities | | | |
| Net Pension Liability | 408,420 | 433,554 | (25,134) |
| OPEB Liability | 66,874 | 36,322 | 30,552 |
| Other Long-term Liabilities | 394,816 | 513,506 | (118,690) |
| Total Liabilities | 1,121,293 | 1,212,239 | (90,946) |
| Deferred Inflows of Resources | 434,202 | 457,235 | (23,033) |
| Net Position: | | | |
| Net Investment in capital assets | 118,323 | 90,975 | 27,348 |
| Restricted | 18,673 | - | 18,673 |
| Unrestricted | (522,827) | (570,215) | 47,388 |
| Total Net Position | $ (385,831) | $ (479,240) | $ 93,409 |

The net pension liability (NPL) is one of the largest liabilities reported by the School at June 30, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The School also reports GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Including the pension/OPEB items, the School saw total assets decrease by $33,544 although the School saw the cash balance increase with the increase in foundation revenue from more students. The School also reports capital assets for renovation improvements and leased facilities but those assets were depreciated. The School does report a net OPEB asset for one of the retirement systems mainly because of the change in assumptions on the discount rate used.

The current liabilities increased by $22,326 as the accounts payable were and current portion of the facility lease was higher compared to the prior year. The School recognized a smaller net pension liability for the current year as the allocation percentage changed that was assigned to the School by the retirement systems. That also helps explain why the deferred outflow of resources decreased since those changes are amortized over the remaining service life for each retirement system.

## Financial Analysis

Table 2 shows the change in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

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

| | 2023 | 2022 | Change |
|---|---|---|---|
| **Operating Revenues:** | | | |
| State Foundation | $ 996,069 | $ 493,234 | $ 502,835 |
| Other | 4,840 | 9,550 | (4,710) |
| Total Operating Revenues | 1,000,909 | 502,784 | 498,125 |
| **Operating Expenses:** | | | |
| Salaries | 4,625 | - | 4,625 |
| Fringe Benefits | 75,089 | 210,327 | (135,238) |
| Purchased Services | 1,025,502 | 1,041,596 | (16,094) |
| Materials and Supplies | 18,490 | 25,994 | (7,504) |
| Other | 3,031 | - | 3,031 |
| Depreciation/Amortization | 144,258 | 10,579 | 133,679 |
| Total Operating Expenses | 1,270,995 | 1,288,496 | (17,501) |
| Operating Loss | (270,086) | (785,712) | 515,626 |
| **Nonoperating Revenues (Expenses)** | | | |
| Federal and State Grants | 377,901 | 202,666 | 175,235 |
| Interest and Fiscal Charges | (14,406) | - | (14,406) |
| Total Nonoperating Revenues (Expenses) | 363,495 | 202,666 | 160,829 |
| Change in Net Position | 93,409 | (583,046) | 676,455 |
| Net Position, Beginning of Year | (479,240) | 103,806 | (583,046) |
| Net Position, End of the Year | $ (385,831) | $ (479,240) | $ 93,409 |

The School saw the student population increase from 49 to 89 FTE resulting in the foundation revenue increasing over $502,000 during fiscal year 2023. A decrease in expenses between the two years is related to purchased services that decreased the change in services provided by the management company. The School operates with employees that are contracted through the management company, which in turns pushes those figures higher. The School also reported lower net pension/OPEB expenses for fiscal year 2023 that reduced the pension expenses being reported under fringe benefits.

## Budget Highlights

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

## Capital Assets

At the end of 2023, the School had a $631,829 capital asset balance. See Note 6 for more information on the School's capital assets.

## Debt

At June 30, 2023, the School had $513,506 of outstanding long term debt with the building lease obligation. See Note 11 for more information on the School's debt.

## Current Financial Issues

The School saw the enrollment decrease slightly for fiscal year 2024 with the October 2023 FTE counts at 83 students compared to 88 at the end of fiscal year 2023.

## Contacting the School

This financial report is designed to provide a general overview of the finances of the School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the School, 1675 Woodman Drive, Unit #2, Dayton, Ohio 45432.

**DAYTON ATHLETIC VOCATIONAL ACADEMY**
**MONTGOMERY COUNTY, OHIO**
**STATEMENT OF NET POSITION**

**AS OF JUNE 30, 2023**

| | |
|---|---|
| **Assets:** | |
| Current assets: | |
| Cash and cash equivalents | $ 50,206 |
| Intergovernmental receivable | 51,476 |
| Total current assets | 101,682 |
| | |
| Noncurrent assets: | |
| Net OPEB asset | 18,673 |
| Capital assets: | |
| Capital assets, net | 631,829 |
| Total noncurrent assets | 650,502 |
| | |
| **Total Assets** | 752,184 |
| | |
| **Deferred Outflows of Resources:** | |
| Pension | 278,999 |
| OPEB | 138,481 |
| | |
| **Total Deferred Outflows of Resources** | 417,480 |
| | |
| **Liabilities:** | |
| Current liabilities | |
| Accounts payable | 132,493 |
| Current portion of long term debt | 118,690 |
| Total current liabilities | 251,183 |
| | |
| Long term liabilities | |
| Net Pension liability | 408,420 |
| OPEB liability | 66,874 |
| Other portion of long term debt | 394,816 |
| Total long term liabilities | 870,110 |
| | |
| **Total Liabilities** | 1,121,293 |
| | |
| **Deferred Inflows of Resources:** | |
| Pension | 333,141 |
| OPEB | 101,061 |
| | |
| **Total Deferred Inflows of Resources** | 434,202 |
| | |
| **Net Position:** | |
| Net investment in capital assets | 118,323 |
| Restricted for OPEB Assets | 18,673 |
| Unrestricted | (522,827) |
| | |
| **Total Net Position** | $ (385,831) |

See accompanying Notes to the Basic Financial Statements

**DAYTON ATHLETIC VOCATIONAL ACADEMY**
**MONTGOMERY COUNTY, OHIO**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

| | | |
|---|---|---|
| **Operating revenues:** | | |
| Foundation payments | $ | 996,069 |
| Other operating revenues | | 4,840 |
| **Total operating revenues** | | 1,000,909 |
| **Operating expenses:** | | |
| Salaries | | 4,625 |
| Fringe benefits | | 75,089 |
| Purchased services | | 1,025,502 |
| Materials and supplies | | 18,490 |
| Depreciation/Amortization | | 144,258 |
| Other operating expenses | | 3,031 |
| **Total operating expenses** | | 1,270,995 |
| Operating Loss | | (270,086) |
| **Non-Operating revenues (expenses):** | | |
| Federal and State grants | | 377,901 |
| Interest and Fiscal Charges | | (14,406) |
| **Net non-operating revenues (expenses)** | | 363,495 |
| **Change in net position** | | 93,409 |
| Net position at beginning of year | | (479,240) |
| Net position at end of year | $ | (385,831) |

See accompanying Notes to the Basic Financial Statements

**DAYTON ATHLETIC VOCATIONAL ACADEMY**
**MONTGOMERY COUNTY, OHIO**
**STATEMENT OF CASH FLOWS**

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

| | |
|---|---|
| **Increase (decrease) in cash and cash equivalents** | |
| **Cash flows from operating activities:** | |
| Cash received from State of Ohio - Foundation | $ 1,007,470 |
| Cash received from other operating revenues | 4,840 |
| Cash payments for personal services | (70,383) |
| Cash payments for contract services | (1,012,995) |
| Cash payments for supplies and materials | (29,940) |
| Cash payments for other expenses | (4,305) |
| Net cash used for operating activities | (105,313) |
| **Cash flows from noncapital financing activities:** | |
| Cash received from state and federal grants | 341,710 |
| Net cash provided by noncapital financing activities | 341,710 |
| **Cash flows from capital and related financing activities:** | |
| Acquisition of capital assets | (60,975) |
| Principal paid on debt obligations | (110,810) |
| Interest paid on debt obligations | (14,406) |
| Net cash used by capital and related financing activities | (186,191) |
| Net change in cash and cash equivalents | 50,206 |
| Cash and Cash Equivalents at beginning of year | - |
| Cash and Cash Equivalents at end of year | 50,206 |
| Reconciliation of operating loss to net cash used for operating activities: | |
| Operating Loss | (270,086) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Depreciation/amortization | 144,258 |
| Change in assets and liabilities: | |
| Increase in intergovernmental receivable | (3,262) |
| Decrease in OPEB asset | 39,920 |
| Increase in deferred outflows | (12,974) |
| Increase in accounts payable | 15,720 |
| Decrease in management company payable | (1,274) |
| Decrease in deferred inflows | (23,033) |
| Decrease in net pension liability | (25,134) |
| Increase in OPEB liability | 30,552 |
| Total Adjustments | 20,515 |
| Net cash used for operating activities | $ (105,313) |

See accompanying Notes to the Basic Financial Statements

## NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The Dayton Athletic Vocational Academy, formerly the Urban Early College Network, (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702 and is exempted from federal income taxation under section 501(c)(3) of the Internal Revenue Code. The School's objective is to address the needs of students through a core subject focus with an innovative online curriculum with small-group direct instruction, personal counseling and workforce readiness designed to keep students engaged and provide a self-paced learning environment for high school students in grades 9-12. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

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

The School began operations at the beginning of the 2017 school year. The School signed a contract with The Educational Resource Consultants of Ohio, Inc. (ERCO) (Sponsor) to operate for a period from July 1, 2017 through June 30, 2019, subsequently amended to renew automatically through June 30, 2023. The sponsor agreement was renewed through June 30, 2024. The School operates under the direction of a Board of Directors which must contain at least five Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the School. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board of Directors controls the School's instructional/support facility staffed by employees of the management company who provide services to 89 students.

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### A. Basis of Presentation

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

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

### B. Measurement Focus and Basis of Accounting

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

### C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis. The contract between the School and its Sponsor does not require the School to follow the provisions of ORC Chapter 5705; therefore no budgetary information is presented in the basic financial statements.

### D. Cash and Investments

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School maintains a capitalization threshold of $5,000. The School does not possess any infrastructure. All assets except for land and construction in progress are depreciated.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School reports the value, net of depreciation/amortization for the leased building under GASB 87, *Leases.* The School is reporting intangible right-to-use asset related to a leased building. The intangible asset is being amortized in a systemic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

### F. Intergovernmental Revenues

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

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

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

Amounts awarded under the items above for the year ended June 30, 2023 totaled $1,373,970.

### G. Net Position

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the Statement of Net Position. (See Notes 9 and 10.)

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

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

**J. Estimates**

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

**K. Operating Revenues and Expenses**

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

## NOTE 3 – CASH AND CASH EQUIVALENTS

At fiscal year end June 30, 2023, the carrying amount of the School's deposits was $50,206, and the bank balance was $39,863. The entire bank balance was covered by Federal Deposit Insurance Corporation (FDIC).

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

## NOTE 4 – PURCHASED SERVICES

For the fiscal year ended June 30, 2023, purchased services expenses were as follows:

| | | |
|---|---|---|
| Professional and Technical | $ | 583,195 |
| Management Company Fees | | 146,979 |
| Property Services | | 66,186 |
| Fiscal fees | | 57,804 |
| Data processing | | 42,141 |
| Sponsorship Fees | | 30,050 |
| Utilities | | 28,408 |
| Food Service | | 28,157 |
| Insurance | | 14,455 |
| Legal | | 11,030 |
| Advertising/Promotional | | 10,080 |
| Other | | 7,017 |
| Total | $ | 1,025,502 |

## NOTE 5 – RECEIVABLES

The School reported the following receivables at June 30, 2023:

| | | |
|---|---|---|
| Foundation Adjustment | | $3,262 |
| Federal Food Subsidy | | 3,221 |
| ESSER Grant | | 41,252 |
| Title I Grant | | 3,741 |
| | Total | $51,476 |

## NOTE 6 – CAPITAL ASSETS

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

| | Balance 6/30/22 | Additions | Deductions | Balance 6/30/23 |
|---|---|---|---|---|
| Capital Assets not Being Depreciated/Amortized | | | | |
| Construction in Process | $90,975 | $0 | $90,975 | $0 |
| Capital Assets Being Depreciated/Amortized | | | | |
| Leased Building | 634,716 | 0 | 0 | 634,716 |
| Leasehold Improvements | 0 | 130,750 | 0 | 130,750 |
| Furniture and Equipment | 0 | 21,200 | 0 | 21,200 |
| Total Capital Assets Being Depreciated/Amortized | 634,716 | 151,950 | 0 | 786,666 |
| Less Accumulated Depreciation/Amortized | | | | |
| Leased Building | (10,579) | (126,943) | 0 | (137,522) |
| Leasehold Improvements | 0 | (13,075) | 0 | (13,075) |
| Furniture and Equipment | 0 | (4,240) | 0 | (4,240) |
| Total Accumulated Depreciation/Amortized | (10,579) | (144,258) | 0 | (154,837) |
| Capital Assets, Net | $715,112 | $7,692 | $90,975 | $631,829 |

## NOTE 7 – SPONSORSHIP AGREEMENT

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

A. Support to ensure that the financial records of the School are maintained in the same manner as are financial records of School, pursuant to rules of the Auditor of State.

B. Compliance with the policies and procedures regarding internal financial control of the School.

C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year, the School paid the Sponsor $30,050 in sponsorship fees.

## NOTE 8 – RISK MANAGEMENT

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

## NOTE 9 - DEFINED BENEFIT PENSION PLANS

***Net Pension Liability***

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

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

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

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

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

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

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

## NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|---|---|---|
| Full Benefits | 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 55 with 25 years of service credit Age 60 with 5 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; the greater of (1) the sum of 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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 is 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 percent and with a floor of 0 percent. In 2021, the Board of Trustees approved a 2 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

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

The School's contractually required contribution to SERS was $53,554 for fiscal year 2023.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent 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, 2023, 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 their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The School's contractually required contribution to STRS was $12,204 for fiscal year 2023.

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate share of the Net Pension Liability - prior measurement date | 0.0021203% | 0.00277901% | |
| Proportionate share of the Net Pension Liability - current measurement date | 0.0045872% | 0.00072114% | |
| Change in proportionate share | 0.0024669% | -0.00205787% | |
| Proportionate Share of the Net Pension Liability | $248,111 | $160,309 | $408,420 |
| Pension Expense | $144,445 | $31,915 | $176,360 |

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $10,049 | $592 | $10,641 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 1,609 | 1,609 |
| Changes in proportionate share | 174,641 | 18,370 | 193,011 |
| Changes in assumptions | 2,448 | 5,532 | 7,980 |
| School contributions subsequent to the measurement date | 53,554 | 12,204 | 65,758 |
| Total Deferred Outflows of Resources | $240,692 | $38,307 | $278,999 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $1,628 | $615 | $2,243 |
| Changes in proportion share and difference | | | |
| Net difference between projected and | 0 | 307,800 | 307,800 |
| actual earnings on pension plan investments | 8,658 | 14,440 | 23,098 |
| Total Deferred Inflows of Resources | $10,286 | $322,855 | $333,141 |

$65,758 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2024 | $96,127 | ($64,800) | $31,327 |
| 2025 | 78,704 | (136,840) | (58,136) |
| 2026 | (12,368) | (115,871) | (128,239) |
| 2027 | 14,389 | 20,759 | 35,148 |
| Total | $176,852 | ($296,752) | ($119,900) |

## NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

### *Actuarial Assumptions - SERS*

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

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

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

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

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

Mortality rates for 2022 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

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

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

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

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| School's proportionate share of the net pension liability | $365,208 | $248,111 | $149,459 |

***Actuarial Assumptions - STRS***

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected salary increases | Varies by service from 2.5% to 8.5% |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation |
| Discount Rate of Return | 7.00 percent |
| Payroll increases | 3.00 percent |
| Cost-of-Living Adjustments | 0% effective July 1, 2017 |

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

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

**NOTE 9 - DEFINED BENEFIT PENSION 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 | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

*Target allocation percentage is effective as of June 30, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.
** 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| School's proportionate share of the net pension liability | $242,171 | $160,309 | $91,082 |

## NOTE 10 – DEFINED BENEFIT OPEB PLAN

***Net OPEB Asset/Liability***

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

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

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

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

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

**NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)**

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2023, the contribution to health care was 0 percent. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School paid $0 for the SERS surcharge.

The School's contractually required contribution to SERS was $0 for fiscal year 2023.

## NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability - prior measurement date | 0.0019192% | 0.00277901% | |
| Proportionate Share of the Net OPEB Liability - current measurement date | 0.0047631% | 0.00072114% | |
| Change in proportionate share | 0.0028439% | -0.0020579% | |
| Proportionate Share of the Net OPEB Liability/(Asset) | $66,874 | ($18,673) | $48,201 |
| OPEB Expense | $18,951 | $13,966 | $32,917 |

**NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $562 | $271 | $833 |
| Changes of assumptions | 10,636 | 796 | 11,432 |
| Net difference between projected and actual earnings on pension plan investments | 377 | 325 | 702 |
| Changes in proportionate share | 100,354 | 25,160 | 125,514 |
| Total Deferred Outflows of Resources | $111,929 | $26,552 | $138,481 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $42,778 | $2,835 | $45,613 |
| Changes in assumptions | 27,453 | 13,241 | 40,694 |
| Changes in proportionate share | 14,754 | - | 14,754 |
| Total Deferred Inflows of Resources | $84,985 | $16,076 | $101,061 |

$0 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2024 | $7 | $6,301 | $6,308 |
| 2025 | (1,849) | 6,366 | 4,517 |
| 2026 | 1,452 | 231 | 1,683 |
| 2027 | 7,431 | 196 | 7,627 |
| 2028 | 7,050 | (859) | 6,191 |
| Thereafter | 12,853 | (1,759) | 11,094 |
| Total | $26,944 | $10,476 | $37,420 |

## NOTE 10 – DEFINED BENEFIT OPEB PLAN (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, 2022 are presented below:

| | |
|---|---|
| Wage Inflation | 2.40 percent |
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent |
| 7.00 percent net of investments expense, including inflation | |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.69 percent |
| Prior Measurement Date | 1.92 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Measurement Date | 4.08 percent |
| Prior Measurement Date | 2.27 percent |
| Medical Trend Assumption | |
| Medicare | 5.125 to 4.40 percent |
| Pre-Medicare | 6.75 to 4.40 percent |

**NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)**

For 2022, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 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 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| Asset Class | Target Allocation* | Long-Term Expected Real Rate of Return** |
|---|---|---|
| Cash | 2.00 % | (0.45) % |
| US Equity | 24.75 | 5.34 |
| Non-US Equity Developed | 13.50 | 6.22 |
| Non-US Equity Emerging | 6.75 | 8.22 |
| Fixed Income/Global Bonds | 19.00 | 1.20 |
| Private Equity | 11.00 | 10.05 |
| Real Estate/Assets | 16.00 | 4.87 |
| Multi-Asset Strategies | 4.00 | 3.39 |
| Private Debt/Credit | 3.00 | 5.38 |
| Total | 100.00 % | |

**NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)**

*Target allocation percentage is effective as of June 30, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.
** 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

***Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

| | 1% Decrease (3.08%) | Current Discount Rate (4.08%) | 1% Increase (5.08%) |
|---|---|---|---|
| School's proportionate share of the net OPEB liability | $83,059 | $66,874 | $53,809 |

| | 1% Decrease (6.00% decreasing to 3.40%) | Current Trend Rate (7.00% decreasing to 4.40%) | 1% Increase (8.00% decreasing to 5.40%) |
|---|---|---|---|
| School's proportionate share of the net OPEB liability | $51,572 | $66,874 | $86,862 |

**NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)**

### *Actuarial Assumptions – STRS*

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

| | |
|---|---|
| Projected salary increases | Varies by service from 2.5% to 8.5% |
| Investment Rate of Return | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent |
| Cost-of-Living Adjustments | 0.0 percent, effective July 1, 2017 (COLA) |
| Blended Discount Rate of Return | 7.00 percent |
| Health Care Cost Trends | |
| Medical | |
| Pre-Medicare | 7.50 percent initial, 3.94 percent ultimate |
| Medicare | -68.78 percent initial, 3.94 percent ultimate |
| Prescription Drug | |
| Pre-Medicare | 9.00 percent initial, 3.94 percent ultimate |
| Medicare | -5.47 percent initial, 3.94 percent ultimate |

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

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

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. 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 CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

STRS'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:

## NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity | 26.00 % | 6.60 % |
| International Equity | 22.00 | 6.80 |
| Alternatives | 19.00 | 7.38 |
| Fixed Income | 22.00 | 1.75 |
| Real Estate | 10.00 | 5.75 |
| Liquidity Reserves | 1.00 | 1.00 |
| Total | 100.00 % | |

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

***Discount Rate*** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB asset as of June 30, 2022.

***Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| School's proportionate share of the net OPEB asset | ($17,262) | ($18,673) | ($19,881) |

| | 1% Decrease | Current Trent Rate | 1% Increase |
|---|---|---|---|
| School's proportionate share of the net OPEB asset | ($19,368) | ($18,673) | ($17,795) |

## NOTE 11 – OTHER LONG-TERM OBLIGATIONS

The School has no long-term obligations that meet the GASB definition of a direct borrowing. The following are the long-term obligations outstanding for the School as of June 30, 2023 was as follows:

| Description | Balance 06/30/22 | Additions | Deductions | Balance 06/30/23 | Due Within One Year |
|---|---|---|---|---|---|
| Building Lease | $624,316 | $0 | ($110,810) | $513,506 | $118,690 |
| Net Pension Liability | | | | | |
| SERS | 78,233 | 169,878 | 0 | 248,111 | 0 |
| STRS | 355,321 | 0 | (195,012) | 160,309 | 0 |
| Net OPEB Liability | | | | | |
| SERS | 36,322 | 30,552 | 0 | 66,874 | 0 |
| Total | $1,094,192 | $200,430 | ($305,822) | $988,800 | $118,690 |

The School has a lease agreement with the facility that runs through June 20, 2027. The liability is reported under GASB 87, *Leases*, that requires the recognition of the liability on the financial statements.

| Fiscal Year | Building Leases Payable | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2024 | $118,690 | $11,535 | $130,225 |
| 2025 | 126,973 | 8,461 | 135,434 |
| 2026 | 135,676 | 5,174 | 140,851 |
| 2027 | 132,167 | 1,665 | 133,832 |
| Total | $513,506 | $26,835 | $540,341 |

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

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

## NOTE 12 - AGREEMENT WITH CINCINNATI CHARTER SCHOOL COLLABORATIVE

Effective July 1, 2021, the School entered into a management agreement (Agreement) with the Cincinnati Charter School Collaborative (CCSC), which is an educational consulting and management company. The term of the Agreement with CCSC is for two years and will renew for one additional, successive two (2) year terms unless one party notifies the other party no later than six months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to CCSC. CCSC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay CCSC a monthly continuing fee of 16 percent of the School's "qualified gross revenues," defined in the Agreement as, all revenues and income received by the School except for charitable contributions. The continuing fee is paid to CCSC based on the qualified gross revenues.

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

The School had purchased services for the fiscal year ended June 30, 2023, to CCSC, of $605,586. CCSC will be responsible for procuring the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the school or reimbursed to CCSC.

**NOTE 13 – CONTINGENCIES**

**A. Grants**

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

**B. School Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education 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 has performed all FTE Review subsequent to the fiscal year end that resulted in an additional adjustment to the enrollment information. ODE performed such a review on the School for fiscal year 2023. ODE adjustments for fiscal year 2023 have been finalized and the School has reported a receivable of $3,262.

**NOTE 14 – ADOPTION OF ACCOUNTING PRINCIPLE**

For fiscal year 2023, the School implemented GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”. GASB Statement 96 does the following (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this standard had no effect on beginning net position as the School had no technology agreements that met the definition of the statement.

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| The School's Proportionate Share of the Net Pension Liability | 0.0045872% | 0.0021203% | 0.0009735% | 0.0005174% | 0.0017680% | 0.0011543% |
| The School's Proportionate Share of the Net Pension Liability | $ 248,111 | $ 78,233 | $ 64,389 | $ 30,957 | $ 101,257 | $ 68,967 |
| The School's Covered Payroll | $ 246,402 | $ 73,186 | $ 32,736 | $ 19,148 | $ 57,741 | $ 149,521 |
| The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 100.69% | 106.90% | 196.69% | 161.67% | 175.36% | 46.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.82% | 82.86% | 68.55% | 70.85% | 71.36% | 69.50% |

(1) Information prior to 2018 is not available.

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

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| The School's Proportionate Share of the Net Pension Liability | 0.00072114% | 0.00277901% | 0.00270260% | 0.00236614% | 0.00184156% | 0.00128942% |
| The School's Proportionate Share of the Net Pension Liability | $ 160,309 | $ 355,321 | $ 653,933 | $ 523,258 | $ 404,918 | $ 306,304 |
| The School's Covered Payroll | $ 120,857 | $ 342,914 | $ 326,164 | $ 277,793 | $ 209,357 | $ 209,057 |
| The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 132.64% | 103.62% | 200.49% | 188.36% | 193.41% | 146.52% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.90% | 87.80% | 75.50% | 77.40% | 77.31% | 75.30% |

(1) Information prior to 2018 is not available.

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

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's Pension Contributions
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ 53,554 | $ 32,525 | $ 10,246 | $ 4,583 | $ 2,585 | $ 7,795 | $ 20,933 |
| Contributions in Relation to the Contractually Required Contribution | (53,554) | (32,525) | (10,246) | (4,583) | (2,585) | (7,795) | (20,933) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The School's Covered Payroll | $ 405,712 | $ 246,402 | $ 73,186 | $ 32,736 | $ 19,148 | $ 57,741 | $ 149,521 |
| Contributions as a Percentage of Covered Payroll | 13.20% | 13.20% | 14.00% | 13.50% | 13.50% | 13.50% | 13.50% |

(1) Information prior to 2017 is not available.

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's Pension Contributions
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ 12,204 | $ 16,920 | $ 48,008 | $ 45,663 | $ 38,891 | $ 29,310 | $ 29,268 |
| Contributions in Relation to the Contractually Required Contribution | (12,204) | (16,920) | (48,008) | (45,663) | (38,891) | (29,310) | (29,268) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The School's Covered Payroll | $ 87,171 | $ 120,857 | $ 342,914 | $ 326,164 | $ 277,793 | $ 209,357 | $ 209,057 |
| Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

(1) Information prior to 2017 is not available.

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| The School's Proportionate share of the Net OPEB Liability | 0.0047631% | 0.0019192% | 0.0010090% | 0.0004950% | 0.0017820% | 0.0011699% |
| The School's Proportionate share of the Net OPEB Liability | $ 66,874 | $ 36,322 | $ 21,922 | $ 12,458 | $ 49,432 | $ 31,397 |
| The School's Covered Payroll | $ 246,402 | $ 73,186 | $ 32,736 | $ 19,148 | $ 57,741 | $ 149,521 |
| The School's Proportionate share of the Net OPEB Liability as a Percentage of its Covered Payroll | 27.14% | 49.63% | 66.97% | 65.06% | 85.61% | 21.00% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 30.34% | 24.08% | 18.17% | 15.57% | 13.57% | 12.46% |

(1) Information prior to 2018 is not available.

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

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability/(Asset)
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| The School's Proportionate share of the Net OPEB Liability/(Asset) | 0.00072114% | 0.00277901% | 0.00270300% | 0.00236600% | 0.00184200% | 0.00128942% |
| The School's Proportionate share of the Net OPEB Liability/(Asset) | $ (18,673) | $ (58,593) | $ (47,505) | $ (39,187) | $ (29,592) | $ 50,308 |
| The School's Covered Payroll | $ 120,857 | $ 342,914 | $ 326,164 | $ 277,793 | $ 209,357 | $ 209,057 |
| The School's Proportionate share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll | -15.45% | -17.09% | -14.56% | -14.11% | -14.13% | 24.06% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 230.73% | 174.73% | 182.10% | 174.70% | 176.00% | 47.10% |

(1) Information prior to 2018 is not available.

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

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's OPEB Contributions
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ - | $ 1,971 | $ - | $ 641 | $ 235 | $ 1,199 | $ 631 |
| Contributions in Relation to the Contractually Required Contribution | - | (1,971) | - | (641) | (235) | (1,199) | (631) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The School's Covered Payroll | $ 405,712 | $ 246,402 | $ 73,186 | $ 32,736 | $ 19,148 | $ 57,741 | $ 149,521 |
| Contributions as a Percentage of Covered-Payroll | 0.00% | 0.80% | 0.00% | 1.96% | 1.23% | 2.08% | 0.42% |

(1) Information prior to 2017 is not available.

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
Required Supplementary Information
Schedule of the School's OPEB Contributions
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in Relation to the Contractually Required Contribution | - | - | - | - | - | - | - |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The School's Covered Payroll | $ 87,171 | $ 120,857 | $ 342,914 | $ 326,164 | $ 277,793 | $ 209,357 | $ 209,057 |
| Contributions as a Percentage of Covered-Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Information prior to 2017 is not available.

## Note 1 - Net Pension Liability

### *Changes in Assumptions - SERS*

For fiscal year 2023, the SERS Board has no changes to assumptions.

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

-Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
-Payroll Growth Assumption was reduced from 3.50 percent to 1.75 percent
-Assumed real wage growth was increased from 0.50 percent to 0.85 percent
-Rates of withdrawal, retirement and disability were updated to reflect recent experience.
-Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
-Mortality among service retired members, and beneficiaries was updated to the following: PUB-2010 General Amount Weighted Below Median Employee mortality table. Future improvement in mortality rates is reflected by applying the MP-2020.
-Mortality among service retired members was updated to the following:
PUB-2010 General Employee Weighted 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. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
-Mortality among contingent survivors was updated to the following:
PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
-Mortality among disabled members was updated to the following:
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.

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

-Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
-Payroll Growth Assumption was reduced from 4.00-22.00 percent to 13.50-18.20 percent
-Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
-Rates of withdrawal, retirement and disability were updated to reflect recent experience.
-Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
-Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
-Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

**Note 1 - Net Pension Liability** (continued)

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

For fiscal year 2022, the cost of living adjustment was increased from 2% to 2.5%.

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

***Changes in Assumptions – STRS***

For fiscal year 2022, demographic assumptions were reviewed and adopted by the Board on February 17, 2022 as part of an experience study performed covering the period from July 1, 2015 to June 30, 2021 with changes going into effect June 30, 2022.

For fiscal year 2021, the investment return rate was decreased from 7.45% to 7.00%.

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

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

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

**Note 2 - Net OPEB Asset/Liability**

***Changes in Assumptions – SERS (fiscal year 2017)***

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date: (1) The assumed rate of inflation was reduced from 3.25% to 3.00%, (2) Payroll growth assumption was reduced from 4.00% to 3.50%, (3) Assumed real wage growth was reduced from 0.75% to 0.50%, (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (5) 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, (6) 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, and (7) 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.

**Note 2 - Net OPEB Asset/Liability** (continued)

***Changes in Assumptions – SERS (fiscal year 2018)***

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.95 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

***Changes in Assumptions – SERS (fiscal year 2019)***

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

| | |
|---|---|
| Pre-Medicare | |
| Fiscal year 2018 | 7.50 percent initially, decreasing to 5.00 percent |
| Fiscal year 2019 | 7.25 percent initially, decreasing to 4.75 percent |
| Medicare | |
| Fiscal year 2018 | 5.50 percent initially, decreasing to 5.00 percent |
| Fiscal year 2019 | 5.375 percent initially, decreasing to 4.75 percent |

***Changes in Assumptions – SERS (fiscal year 2020)***

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

| | |
|---|---|
| Municipal Bond Index Rate: | |
| Fiscal year 2020 | 3.13 percent |
| Fiscal year 2019 | 3.62 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Fiscal year 2020 | 3.22 percent |
| Fiscal year 2019 | 3.70 percent |
| Medical Trend Assumption: | |
| Fiscal year 2020 | |
| Medicare | 5.25 to 4.75 percent |
| Pre-Medicare | -7 to 4.75 percent |
| Fiscal year 2019 | |
| Medicare | 5.375 to 4.75 percent |
| Pre-Medicare | 7.25 to 4.75 percent |

The discount rate used to measure the total OPEB asset/liability at June 30, 2020 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent.

**Note 2 - Net OPEB Asset/Liability** (continued)

***Changes in Assumptions – SERS (fiscal year 2021)***

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

| | |
|---|---|
| Municipal Bond Index Rate: | |
| Fiscal year 2021 | 2.45 percent |
| Fiscal year 2020 | 3.13 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Fiscal year 2021 | 2.63 percent |
| Fiscal year 2020 | 3.22 percent |

The discount rate used to measure the total OPEB asset/liability at June 30, 2021 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent.

***Changes in Assumptions – SERS (fiscal year 2022)***

-This discount rate changed from 2.63% to 2.27%
-The investment rate of return was reduced from 7.50% to 7.00%
-Assumed rate of inflation was reduced from 3.00% to 2.40%
-The investment rate of return was reduced from 7.50%
-Payroll Growth Assumption was reduced from 3.50% to 1.75%
-Assumed real wage growth was increased from 0.50% to 0.85%
-Rates of withdrawal, retirement and disability were updated to reflect recent experience.
-Rate of health care participation for future retirees and spouses was updated to reflect recent experience.
- Mortality among active members was updated to the following:
  -PUB-2010 General Amount Weighted Below Median Employee mortality table.
-Mortality among service retired members was updated to the following:
  -PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
-Mortality among beneficiaries was updated to the following:
  -PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
-Mortality among disabled member was updated to the following:
  -PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 year and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
-Mortality rates are projected using a fully generational projection with Scale MP-2020.
-Municipal Bond Index Rate:

| | |
|---|---|
| Fiscal year 2022 | 1.92 percent |
| Fiscal year 2021 | 2.45 percent |

**Note 2 - Net OPEB Asset/Liability** (continued)

***Changes in Assumptions – SERS (fiscal year 2022) (Continued)***

| | |
|---|---|
| -Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Fiscal year 2022 | 2.27 percent |
| Fiscal year 2021 | 2.63 percent |

The discount rate used to measure the total OPEB asset/liability at June 30, 2022 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent.

***Changes in Assumptions – SERS (fiscal year 2023)***

The discount rate used to measure the total OPEB asset/liability at June 30, 2023 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022 was 2.27 percent. The health care trends were updated.

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

There have been no changes to the benefit provisions.

***Changes in Assumptions – STRS***

For fiscal year 2023, demographic assumptions were reviewed and adopted by the Board on February 17, 2022 as part of an experience study performed covering the period from July 1, 2015 to June 30, 2021 with changes going into effect June 30, 2022.

For fiscal year 2022, the investment rate of return decreased from 7.45 percent to 7.00 percent. The blended discount rate was also decreased from 7.45 percent to 7.00 percent. Health care cost trend rates changed from 9.62 percent to -16.18 percent initially and a 4.00 percent ultimate rate to 11.87 percent to 29.98 percent initial, 4 percent ultimate.

For fiscal year 2021, health care cost trend rates changed from 4.93 percent to 9.62 percent initially and a 4.00 percent ultimate rate to -6.69 percent to 11.87 percent initial, 4 percent ultimate.

For fiscal year 2020, health care cost trend rates changed from -5.23 percent to 8 percent initial, 4 percent ultimate to 4.93 percent to 9.62 percent initially and a 4.00 percent ultimate rate.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates changed from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate to a range of -5.23 percent to 8 percent, initially and a 4.00 ultimate rate.

**Note 2 - Net OPEB Asset/Liability** (continued)

***Changes in Assumptions – STRS*** (continued)

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. The long-term rate of return was reduced to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

***Changes in Benefit Terms – STRS***

For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. 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 calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2020, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.944 percent to 1.984 percent per year of service effective January 1, 2020. The Non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 021 to 2.10 percent from the Medicare Plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

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

Rea & associates a brighter way

# 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*

To the Board of Directors
Dayton Athletic Vocational Academy
Montgomery County, Ohio
1675 Woodman Dr.
Dayton, OH 45432

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Dayton Athletic Vocational Academy, Montgomery County, Ohio (the "School") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 14, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-002, 2023-003, 2023-004, and 2023-005.

**The School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The School's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
August 14, 2024

**Dayton Athletic Vocational Academy**
**Montgomery County, Ohio**
*Schedule of Findings and Responses*
*June 30, 2023*

**Finding Number: 2023-001**
**Material Weakness – Internal Controls Over Financial Reporting**

**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** The School also did not properly record accounts payable, expenses, and deferred outflows of resources related to pensions.

**Context:** Audit adjustments were required to increase pension expense and decrease deferred outflows of resources related to pensions for $64,401 related to the School's the change in proportionate share. Another audit adjustment was required to increase purchased services and accounts payable by $9,798 to properly state accounts payable and corresponding expenses. Another audit adjustment was required to increase restricted net position and decrease unrestricted net position by $18,673 to properly show the restriction on net position related to the net OPEB Asset.

**Cause:** The School did not properly record accounts payable and expenses and deferred outflows of resources related to pensions.

**Effect:** Audit adjustments described above were necessary to properly present the financial statements in accordance with generally accepted accounting principles (GAAP).

**Recommendation:** The School should implement and strengthen processes to review financial transactions and monthly financial reports to ensure that transactions are recorded in accordance with GAAP.

**Management's Response:** The School will work more closely with our consultant that we use to compile our financial statements to make sure items are properly recorded.

**Finding Number: 2023-002**
**Material Noncompliance – Student Enrollment and Data Reporting**

**Criteria:** Pursuant to Ohio Rev. Code (ORC) 3314.03(A)(6)(b) & (A)(27-28) community schools must adopt attendance and participation policies for their students and attendance records shall be made available to the Department of Education, Auditor of State, and the School's sponsor. The school has the required policy in place within the Student Handbook, which states that the School must maintain written documentation relating to excused absences.

**Condition:** The School was not able to provide the requested excused absence support for all 10 students tested as required by the School's student handbook excused absence policy for the auditors to verify information reported through EMIS.

**Context/Cause:** The auditor made numerous requests to the School for supporting documentation of student excused absences. None of the requested support was provided to the auditor to verify the accuracy of information reported in EMIS.

**Effect:** Without proper supporting documentation, it could be difficult for the School to support enrollment information reported through EMIS.

**Recommendation:** We recommend the School monitor procedures implemented over student absences to verify information reported in EMIS is accurate.

**Management's Response:** The Management Company will work with the staff that work with student records to make sure that required records are maintained and provided upon request.

**Finding Number: 2023-003**
**Material Noncompliance – Accounting for Management Company Expenses**

**Criteria:** Ohio Revised Code (ORC) §3314.02(A)(8) states an "operator" or "management company" means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. Therefore, the terms "operator" and "management company" are synonymous, and the footnote required by ORC §3314.024 applies to any entity meeting the definition in ORC §3314.02(A)(8).

ORC §3314.024 states a management company that receives more than twenty percent of a community school's annual gross revenues shall provide a detailed accounting, including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth below and be subject to verification through examination of community school records during the school's regular financial audit.

ORC §3314.03(A)(8) includes the requirements of community schools to have financial audits by the Auditor of State. The contract between the sponsor and the governing authority shall require financial records of the school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State, and the audits shall be conducted in accordance with ORC §117.10. This includes preparing the detailed accounting of management company expenses in ORC §3314.024.

**Condition:** Cincinnati Charter School Collaborative, the School's operator in fiscal year 2023, received more than 20 percent of the School's annual gross revenue for fiscal year 2023. The School's operator did not have an audit or an agreed-upon procedures engagement performed over its operations for the fiscal year ended June 30, 2023. In addition, the School did not prepare the required management expenses footnote to be included within the School's financial report, and therefore, the required management expenses footnote was not subject to the above-mentioned procedures.

**Context/Cause:** The School's operator did not have an audit or an agreed-upon procedures engagement performed over its operations for the fiscal year ended June 30, 2023 and did not prepare the required management expenses footnote to be included within the School's financial report.

**Effect:** The School did not disclose the required management expense footnote for fiscal year 2023. Without the required management company expenses footnote and required procedures over the expenses, it could not be determined whether the expenses represent direct costs allocated to the School and whether they are properly classified within respective object and functions codes required by ORC §3314.024 (A) & (B). As a result, many of the required contents of the management company expenses footnote were omitted from the School's financial statements.

**Recommendation:** We recommend the School request that the operator prepare the required management company expenses footnote to be included within the School's financial report, and subject the footnote to the above-mentioned procedures to comply with the requirements of the ORC if future contracts involve operating the School.

**Management's Response:** The School will request that the Management Company have an Agreed-Upon Procedure Engagement performed when they receive more than 20% or the School's annual gross revenue.

**Finding Number: 2023-004**
**Material Noncompliance – Student Enrollment and Data Reporting**

**Criteria:** Pursuant to Ohio Rev. Code (ORC) 3317.031 requires that schools maintain a "membership record" that includes certain information regarding every student enrolled, including enrollment and withdrawal dates. Schools are required to maintain each such record "for at least five years."

**Condition:** During our testing of enrollment, we noted that 2 out of 10 students tested, the School could not provide the student's enrollment form.

**Context/Cause:** The auditor made numerous follow-up requests to the School for supporting documentation of enrollment records. Auditor was unable to obtain for 2 out of 10 students.

**Effect:** Without proper supporting documentation, it could be difficult for the School to support enrollment information reported through EMIS.

**Recommendation:** We recommend all student files are maintained in accordance with the records retention schedule and the Ohio Revised Code, and we recommend the School maintain appropriate documentation to support the enrollment information.

**Management's Response:** The Management Company will work with the staff that work with student records to make sure that required records are maintained and provided upon request.

**Finding Number: 2023-005**
**Material Noncompliance – Record Retention and Documentation**

**Criteria:** Ohio Rev. Code (ORC) 149.351 establishes guidelines against destruction or damage of records. All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the ORC.

**Condition:** The School did not provide support for two transactions for a total of $15,000 related to expenditures charged to federal IDEA program, nor did the School provide a listing of students who had Individualized Education Programs (IEPs) during fiscal year 2023.

**Context/Cause:** The auditor made numerous follow-up requests to the School requesting the documentation and did not receive any of the requested information.

**Effect:** The auditor was unable to complete testing over these items. Failure to maintain appropriate documentation could result in a loss of accountability over these programs, potential loss of funding, and potential litigation.

**Recommendation:** The School should develop and maintain a system of control and organization to ensure that all records are appropriately maintained and available for inspection.

**Management's Response:** The School will work more closely with the Management Company to make sure that a listing of all IEPs are maintained. Additionally, and any financial adjustments that are made will include a detailed explanation showing why they were made.

**DAYTON ATHLETIC VOCATIONAL ACADEMY**
**MONTGOMERY COUNTY, OHIO**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
## JUNE 30, 2023

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2022-001 | Material Weakness – Internal Controls Over Financial Reporting | Not Corrected | Finding was reported as 2023-001. |
| 2022-002 | Material Noncompliance – Student Enrollment and Data Reporting | Not Corrected | Finding was reported as 2023-002 and 2023-004. |
| 2022-003 | Material Noncompliance – Accounting for Management Company Expenses | Not Corrected | Finding was reported as 2023-003. |

OHIO AUDITOR OF STATE
KEITH FABER

**DAYTON ATHLETIC VOCATIONAL ACADEMY**

**MONTGOMERY 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 11/7/2024**

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