OHIO DIGITAL LEARNING SCHOOL
LUCAS 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 Trustees
Ohio Digital Learning School
1745 Indian Wood Circle, Suite 110
Maumee, OH 43537

We have reviewed the *Independent Auditor's Report* of the Ohio Digital Learning School, Lucas 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. The Ohio Digital Learning School is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 03, 2024

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Lucas County, Ohio
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Rea & associates a brighter way

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ohio Digital Learning School
Lucas County, Ohio
1745 Indian Wood Circle
Maumee, Ohio 43537

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ohio Digital Learning School, Lucas 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 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 Ohio Digital Learning School, Lucas County, Ohio, as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* 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 April 22, 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
April 22, 2024

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

The discussion and analysis of Ohio Digital Learning School's (the School) financial performance provides an overall review of the 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 financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2023 are as follows:

- Total net position was ($1,954,253) as of June 30, 2023, which is an $803,125 decrease from net position of ($1,151,128) at June 30, 2022.

- The School had operating revenues of $5,850,577, operating expenses of $7,578,077, non-operating revenues of $930,880, and non-operating expenses of $6,505. The operating loss was $1,727,500 during the School's fourth year of operations.

- Current assets increased $2,552,380 and current liabilities increased $2,571,344 during the fiscal year ending June 30, 2023.

- Deferred outflows of resources, net OPEB liability, and deferred inflows of resources decreased and net OPEB assets and net pension liability increased because of GASB Statements No. 68 and 75.

Using this Financial Report

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension liability and net OPEB liability/asset. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Reporting the School as a Whole

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the School's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the Statement of Net Position - as one way to measure the School's financial health or financial position. Over time, increases or decreases in the School's net position - as reported in the Statement of Net Position - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the School, to assess the overall health of the School.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the activities for the School, which encompass all the School's services, including instruction, support services and community services. Unrestricted State aid finances most of these activities.

Table 1 provides a summary of the School's net position for fiscal year 2023 and fiscal year 2022.

Table 1
Net Position

	2023	2022
Assets:		
Cash and Current Assets	$ 5,506,065	$ 2,953,685
Noncurrent Assets:		
Amortized Capital Assets, Net	102,497	174,749
Net OPEB Asset	295,750	190,770
Total Assets	5,904,312	3,319,204
Deferred Outflows of Resources:		
Pension	2,241,322	2,464,784
OPEB	423,689	535,085
Total Deferred Outflows of Resources	2,665,011	2,999,869
Liabilities:		
Current Liabilities	5,602,512	3,031,168
Long-Term Liabilities		
Net Pension Liability	3,685,000	2,015,992
Net OPEB Liability	276,833	398,894
Other Amounts Due in More than One Year	400	91,540
Total Liabilities	9,564,745	5,537,594
Deferred Inflows of Resources:		
Pension	365,844	1,469,002
OPEB	592,987	463,605
Total Deferred Inflows of Resources	958,831	1,932,607
Net Position:		
Net Investment in Capital Assets	10,957	(3,539)
Restricted for OPEB	68,033	-
Unrestricted	(2,033,243)	(1,147,589)
Total Net Position	$ (1,954,253)	$ (1,151,128)

Current assets include cash and cash equivalents, prepaid assets, accounts receivable, and intergovernmental receivables. The increase in current assets is attributed to the amount due from K12, with a Balanced Budget Credit of $2,510,699 applicable to fiscal year 2023 for a combined total of $4,387,924 (see Note 17), which is reported in accounts receivable.

Non-current assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS) and capital assets (intangible right to use - leased assets and software). See Notes 7 and 10 for more detail.

Current liabilities include accounts payable, accrued wages and benefits, intergovernmental payable, accrued interest payable, and leases payable. Accounts payable includes $4,972,679 due to K12 for administrative services, technology services, and educational products and services. The increase in current liabilities is also due to increased enrollment.

Long-term liabilities include net pension and net OPEB liabilities (see Notes 9 and 10) and leases payable. Long-term liabilities increased from 2022 primarily due to an increase in the net pension liability.

The net pension liability increased $1.7 million or 83% and deferred inflows of resources related to pension decreased $1.1 million or 75%. These changes were the result of changes at the pension system level for STRS and the School Employees Retirement System (SERS). Primarily, net investment income on investments at both pension systems were negative for the fiscal year 2022 measurement date that are used for the fiscal year 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous fiscal year's large positive investment returns.

Table 2 shows the changes in net position for fiscal year 2023 and fiscal year 2022, as well as a listing of revenues and expenses:

Table 2
Changes in Net Position

	2023	2022
Operating Revenues:		
Foundation	$ 5,351,201	$ 4,351,852
Special Education	491,845	306,327
Other Operating Revenue	7,531	423
Non-Operating Revenue		
Grants Received - Federal, State and Local	930,880	886,967
Total Revenues	6,781,457	5,545,569
Operating Expenses:		
Salaries	2,133,774	1,763,948
Fringe Benefits	1,734,315	1,369,379
Purchased Services	571,239	413,893
Materials and Supplies	2,857,804	2,337,614
Other Operating Expenses	189,168	160,469
Amortization	91,777	87,183
Total Operating Expenses	7,578,077	6,132,486
Non-Operating Expense		
Interest	6,505	10,702
Total Expenses	7,584,582	6,143,188
Total Decrease in Net Position	$ (803,125)	$ (597,619)

The revenue generated by a community school is almost entirely dependent on the per-pupil allotment given by the State foundation and other State and local grant programs. The School provided services to approximately 659 students in 2022 and approximately 832 students in 2023. Foundation revenue was 79% of total revenues for 2023 and 78% for 2022. Special Education revenue is weighted based on the category of disability of the Special Education students enrolled in the School. Non-operating revenue during the fiscal year included casino revenue from the State and Federal and State grant funding.

The School contracted with K12 to provide administrative services, technology services, and educational programs and services, as described in Note 15.

Overall, operating expenses increased $1.4 million during fiscal year 2023. This increase is primarily the result of an increase in student enrollment and certified teaching and instructional/support personnel. Materials and supplies expense increased during fiscal year 2023 from the purchase of student curriculum, textbooks, and computers.

Debt

The School had leases payable in the amount of $91,540 at June 30, 2023, of which $91,140 is due within one year. See Note 8 for detail.

Capital Assets

The School reported capital assets, net of amortization in the amount of $102,497 at June 30, 2023. Capital assets consist of intangible right to use, leased building and equipment and software. See Note 7 for detail.

Current Financial Related Activities

The School's financial outlook over the next several years should remain steady as enrollment is expected to increase. The management team and Board of Trustees intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net position.

Contacting the School's Financial Management

This financial report is designed to provide all stakeholders with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Stephanie Nelson, School Treasurer, Ohio Digital Learning School, 1745 Indian Wood Circle, Suite 110, Maumee, Ohio 43537.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2023

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 613,540
Prepaid Assets	14,743
Accounts Receivable	4,392,093
Intergovernmental Receivable	485,689
Total Current Assets	5,506,065
Noncurrent Assets:	
Amortized Capital Assets, Net	102,497
Net OPEB Asset	295,750
Total Noncurrent Assets	398,247
Total Assets	5,904,312
Deferred Outflows of Resources:	
Pension	2,241,322
OPEB	423,689
Total Deferred Outflows of Resources	2,665,011
Liabilities:	
Current Liabilities:	
Accounts Payable	5,174,761
Accrued Wages and Benefits	252,214
Intergovernmental Payable	84,021
Accrued Interest payable	376
Leases Payable	91,140
Total Current Liabilities	5,602,512
Long-Term Liabilities:	
Net Pension Liability	3,685,000
Net OPEB Liability	276,833
Leases Payable	400
Total Long-Term Liabilities	3,962,233
Total Liabilities	9,564,745
Deferred Inflows of Resources:	
Pension	365,844
OPEB	592,987
Total Deferred Inflows of Resources	958,831
Net Position:	
Net Investment in Capital Assets	10,957
Restricted for OPEB	68,033
Unrestricted (Deficit)	(2,033,243)
Total Net Position (Deficit)	$ (1,954,253)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating Revenues	
Foundation Payments	$ 5,351,201
Special Education	491,845
Other Revenues	7,531
Total Operating Revenues	5,850,577
Operating Expenses	
Salaries	2,133,774
Fringe Benefits	1,734,315
Purchased Services	571,239
Materials and Supplies	2,857,804
Other	189,168
Amortization	91,777
Total Operating Expenses	7,578,077
Operating Loss	(1,727,500)
Non-Operating Revenues (Expenses)	
Grants Received - Federal	706,873
Grants Received - State and Local	224,007
Interest Expense	(6,505)
Total Non-Operating Revenues (Expenses)	924,375
Change in Net Position	(803,125)
Net Position (Deficit) at Beginning of Year	(1,151,128)
Net Position (Deficit) at End of Year	$ (1,954,253)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:	
Cash Received from Special Education	$ 493,191
Cash Received from Others	903
Cash Received from Foundation Payments	5,388,538
Cash Payments to Supplies for Goods and Services	(3,299,233)
Cash Payments to Employees for Services	(2,169,861)
Cash Payments for Employee Benefits	(998,821)
Cash Payments to Others	(197,957)
Net Cash Used in Operating Activities	(783,240)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants - Federal	371,950
Cash Received from Grants - State and Local	224,951
Net Cash Provided by Noncapital Financing Activities	596,901
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(19,525)
Interest Expense	(7,599)
Principal Retirement on Leases	(86,748)
Net Cash Used in Capital and Related Activities	(113,872)
Net Decrease in Cash and Cash Equivalents	(300,211)
Cash and Cash Equivalents at Beginning of Year	913,751
Cash and Cash Equivalents at End of Year	$ 613,540
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	$ (1,727,500)
Adjustments to Reconcile Operating Loss to Net Used in Operating Activities:	
Amortization	91,777
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Intflows of Resources:	
(Increase) in Accounts Receivable	(2,513,113)
(Increase) in Prepaid Items	(2,950)
(Increase) in Intergovernmental Receivable	(1,813)
(Increase) in Net OPEB Asset	(104,980)
Decrease in Deferred Outflows - Pension	223,462
Decrease in Deferred Outflows - OPEB	111,396
Increase in Accounts Payable	2,535,736
Increase in Accrued Wages and Benefits	31,799
Increase in Intergovernmental Payable	6,975
(Decrease) in Unearned Revenue	(7,200)
Increase in Net Pension Liability	1,669,008
(Decrease) in Net OPEB Liability	(122,061)
(Decrease) in Deferred Inflows - Pension	(1,103,158)
Increase in Deferred Inflows - OPEB	129,382
Net Cash Used in Operating Activities	$ (783,240)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE SCHOOL

Ohio Digital Learning School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is a Department of Education-designated Dropout Prevention and Recovery School established to help students in grades 9-12 ages 16-21 reach their true potential. The School is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) on May 15, 2019, for a period of five academic years commencing on July 1, 2019 and expiring on June 30, 2024. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration (see Note 15).

The School operates under the direction of a five member Board of Trustees. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board oversees the School's 52 instructional/support staff and certificated teaching and other personnel who provide services to approximately 832 students.

The School contracts with K12 Virtual Schools L.L.C. (K12) for a variety of services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment for teachers and students (see Notes 14 and 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School's reporting entity has been defined in accordance with 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 and Amendment of GASB Statements No. 14 and No. 34". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the School, this includes general operations of the School. Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statement of the reporting entity includes only those of the School (the primary government). The School has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as nonoperating.

C. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been 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 will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources have been reported on the Statement of Net Position for pension and OPEB (see Notes 9 and 10).

E. 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, except under Ohio Revised Code Section 5705.391, the School must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction. In addition, the Sponsor does prescribe an annual budget requirement in addition to preparing the five year spending plan which is to be updated on an annual basis.

F. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets and Depreciation/Amortization

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the dates received. The School maintains a capitalization threshold of over $5,000 for all assets with a useful life of one year or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation/amortization of capital assets is computed using the straight-line method and the School utilizes the useful lives established by the IRS.

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

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. For the fiscal year ended June 30, 2023 State Foundation Program revenue was $5,351,201 and revenue from the Special Education Program was $491,845.

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

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.

The School also participates in various State and Federal operating grants. Grants awarded in 2023 included $706,873 from the Title I, Title IV-A, Title IIA, Expanding Opportunities, IDEA, American Rescue Plan (ARP) Elementary and Secondary School Emergency (ESSER), and ESSER II programs.

The School received $66,201 in casino revenue and $157,806 in other State grants during fiscal year 2023, which is reported in nonoperating State and local grants.

I. Accrued Liabilities and Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net position. The School has recognized certain liabilities on its Statement of Net Position relating to expenses which are due but unpaid as of June 30, 2023 including: accounts, intergovernmental, accrued interest payable and accrued wages and benefits. Long-term obligations are detailed in Note 8 and include lease payable, net pension liability, and net OPEB liability. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated amortization, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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.

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Estimates

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

M. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the School and the expense is recorded when used. Prepayments at June 30, 2023 consist primarily of rental and technology fees.

N. Unearned Revenue

If the School receives restricted funds that were not spent by the end of the fiscal year, the amount received is classified as unearned revenue and is carried over to the next fiscal year and repaid if not spent. The School did not have any unearned revenue at fiscal year-end.

3. DEPOSITS

At June 30, 2023, the carrying amount of the School’s deposits totaled $613,540 and its bank balance was $621,856. Based on the criteria described in GASB Statement No. 40, *“Deposit and Investment Risk Disclosure”,* as of June 30, 2023, $371,856 of the bank balance was exposed to custodial credit risk as discussed below, while $250,000 was covered by the Federal Depository Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School’s deposits may not be returned. The School has no deposit policy for custodial risk.

4. RECEIVABLES

Accounts receivable at June 30, 2023 consisted of $4,387,924 due from K12 for the Balanced Budget Credit (see Note 15 for detail) and $4,169 in miscellaneous receivables.

Intergovernmental receivables at June 30, 2023 consisted of Federal grant revenues which are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of Federal funds. These receivables are expected to be collected in the subsequent year. Intergovernmental receivables are listed as follows:

Program	Amount
ESSER II	$ 12,803
ESSER III	137,548
IDEA	161,996
Title I	151,312
Title IIA	18,771
Expanding Opportunities	3,259
Total Intergovernmental Receivable	$ 485,689

5. INSTRUCTION

Approximately 83 percent of operating expenditures are used to provide direct instruction to students. Costs by various categories are as follows:

Service Type	Amount
Teacher Salaries, Benefits and Expenses	$ 2,580,192
Student On-Line Curriculum	14,503
Student Computers, Internet and Technology	996,640
Instructional Materials Expense	1,703,718
Pupil Support Salaries, Benefits and Expenses	856,573
Special Education Services	128,293
Total	$ 6,279,919

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2023, the School obtained liability insurance through Arthur J. Gallagher with the following insurance coverage:

General Aggregate Limit (other than Products - Completed Operations)	$3,000,000
Products - Completed Operations Aggregate Limit	3,000,000
Personal & Advertising Limit	1,000,000
Each Occurrence Limit	1,000,000
Fire Damage Limit	100,000
Medical Expense Limit	5,000

Settled claims have not exceeded these coverages in the past three years, nor has there been a significant reduction in coverage from the prior year.

6. RISK MANAGEMENT - (CONTINUED)

B. Workers' Compensation

The School contracts with Insperity to provide payroll processing services. Insperity covers employee workers compensation and charges the School to cover the cost.

C. Employee Medical, Dental, Vision, Prescription and Life Benefits

The School contracts with Insperity to provide employee Medical, Dental, Vision, Prescription and Life Benefits.

7. CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets, being amortized				
Intangible right to use:				
Leased building	$ 254,636	$ -	$ -	$ 254,636
Leased equipment	7,296	-	-	7,296
Software	-	19,525	-	19,525
Total capital assets, being amortized	261,932	19,525	-	281,457
Less: accumulated amortization:				
Intangible right to use:				
Leased building	(84,879)	(84,879)	-	(169,758)
Leased equipment	(2,304)	(2,304)	-	(4,608)
Software	-	(4,594)	-	(4,594)
Total accumulated amortization	(87,183)	(91,777)	-	(178,960)
Capital assets, net	$ 174,749	$ (72,252)	$ -	$ 102,497

8. LONG-TERM OBLIGATIONS

The School's long-term obligations activity during fiscal year 2023 consisted of the following.

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due in One Year
Leases payable	$ 178,288	$ -	$ (86,748)	$ 91,540	$ 91,140
Net pension liability:					
STRS	1,156,869	1,382,222	-	2,539,091	-
SERS	859,123	286,786	-	1,145,909	-
Total net pension liability	2,015,992	1,669,008	-	3,685,000	-
Net OPEB liability:					
SERS	398,894	-	(122,061)	276,833	-
Total long-term obligations	$ 2,593,174	$ 1,669,008	$ (208,809)	$ 4,053,373	$ 91,140

8. LONG-TERM OBLIGATIONS - (CONTINUED)

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

The School has entered into a lease agreement for an office facility. The lease commenced May 15, 2019 and terminates on June 30, 2024. Total lease principal payments were $84,456 for the year ended June 30, 2023.

The School has entered into a lease agreement for office equipment. The lease commenced September 1, 2019 and terminates on August 31, 2024. Total lease principal payments were $2,292 for the year ended June 30, 2023.

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

Fiscal	Leases Payable		
Year	Principal	Interest	Total
2024	$ 91,140	$ 2,473	$ 93,613
2025	400	2	402
Total	$ 91,540	$ 2,475	$ 94,015

Net Pension Liability: See Note 9 for information on the Academy's net pension liability.

Net OPEB Liability: See Note 10 for information on the Academy's net OPEB liability.

9. DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

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

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

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

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

9. DEFINED BENEFIT PENSION PLANS - (Continued)

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

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

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

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.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

9. DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the School is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School's contractually required contribution to SERS was $113,422 for fiscal year 2023. Of this amount, $12,285 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

The School's contractually required contribution to STRS was $256,302 for fiscal year 2023. Of this amount, $20,537 reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion 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
Proportion of the net pension liability prior measurement date	0.02328430%	0.00904801%	
Proportion of the net pension liability current measurement date	0.02118610%	0.01142185%	
Change in proportionate share	-0.00209820%	0.00237384%	
Proportionate share of the net pension liability	$ 1,145,909	$ 2,539,091	$ 3,685,000
Pension expense	$ 361,057	$ 797,979	$ 1,159,036

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	$ 46,411	$ 32,502	$ 78,913
Net difference between projected and actual earnings on pension plan investments	-	88,354	88,354
Changes of assumptions	11,308	303,854	315,162
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	81,390	1,307,779	1,389,169
Contributions subsequent to the measurement date	113,422	256,302	369,724
Total deferred outflows of resources	$ 252,531	$ 1,988,791	$ 2,241,322

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 7,523	$ 9,713	$ 17,236
Net difference between projected and actual earnings on pension plan investments	39,988	-	39,988
Changes of assumptions	-	228,714	228,714
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	79,906	-	79,906
Total deferred inflows of resources	$ 127,417	$ 238,427	$ 365,844

$369,724 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 fiscal year ending June 30, 2024.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	$ 45,566	$ 508,896	$ 554,462
2025	(43,203)	493,927	450,724
2026	(57,121)	233,732	176,611
2027	66,450	257,507	323,957
Total	$ 11,692	$ 1,494,062	$ 1,505,754

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:

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

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

9. DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

Sensitivity of the 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%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net pension liability	$ 1,686,723	$ 1,145,909	$ 690,280

9. DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

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

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

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

9. DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net pension liability	$ 3,835,643	$ 2,539,091	$ 1,442,611

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

10. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 9 for a description of the net OPEB liability (asset).

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.

10. DEFINED BENEFIT OPEB PLANS (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School's surcharge obligation was $592.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $592 for fiscal year 2023 and is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

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

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.02107670%	0.00904801%	
Proportion of the net OPEB liability/asset current measurement date	0.01971730%	0.01142185%	
Change in proportionate share	-0.00135940%	0.00237384%	
Proportionate share of the net OPEB liability	$ 276,833	$ -	$ 276,833
Proportionate share of the net OPEB asset	$ -	$ (295,750)	$ (295,750)
OPEB expense	$ 66,536	$ (52,207)	$ 14,329

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	$ 2,330	$ 4,285	$ 6,615
Net difference between projected and actual earnings on OPEB plan investments	1,437	5,147	6,584
Changes of assumptions	44,034	12,597	56,631
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	347,020	6,247	353,267
Contributions subsequent to the measurement date	592	-	592
Total deferred outflows of resources	$ 395,413	$ 28,276	$ 423,689

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 177,081	$ 44,416	$ 221,497
Changes of assumptions	113,644	209,716	323,360
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	46,269	1,861	48,130
Total deferred inflows of resources	$ 336,994	$ 255,993	$ 592,987

$592 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 liability/asset in the fiscal year ending June 30, 2024.

10. DEFINED BENEFIT OPEB PLANS (Continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	$ 29,770	$ (66,751)	$ (36,981)
2025	30,237	(65,711)	(35,474)
2026	36,816	(30,526)	6,290
2027	20,794	(12,000)	8,794
2028	(13,691)	(17,195)	(30,886)
Thereafter	(46,099)	(35,534)	(81,633)
Total	$ 57,827	$ (227,717)	$ (169,890)

Actuarial Assumptions - SERS

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

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

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

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10. DEFINED BENEFIT OPEB PLANS (Continued)

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.69%
Prior measurement date	1.92%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08%
Prior measurement date	2.27%
Medical trend assumption:	
Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adj

usted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates 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% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

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

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

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net OPEB liability	$ 343,831	$ 276,833	$ 222,748

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB liability	$ 213,488	$ 276,833	$ 359,572

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

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

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

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

10. DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

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 July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net OPEB asset	$ 273,870	$ 295,750	$ 314,883

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	$ 306,764	$ 295,750	$ 281,846

11. CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions as 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 of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2023.

B. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE review for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE has not performed such a review on the School for fiscal year 2023.

As of the date of this report, additional ODE adjustments have been completed.

In addition, the School’s contracts with its Sponsor and Management Company require payment based on revenues received from the State. Additional reconciliations necessary with these contracts have been reflected in the fiscal year 2023 financial statements.

12. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2023, purchased service expenses were payments for services rendered by various vendors, as follows:

Service Type	Amount
Professional/Technical Services	$ 316,675
Property Services	127,268
Communications	53,373
Travel	69,609
Tuition	416
Contracted Trade Services	3,898
Total	$ 571,239

13. TAX EXEMPT STATUS

The School was approved for tax exempt status under § 501©(3) of the Internal Revenue Code.

14. MANAGEMENT AGREEMENT

The School entered into a five-year contract, effective July 1, 2019 through June 30, 2024, with K12 Virtual Schools, L.L.C. (K12) for educational, administrative and technology services. Per the management agreement, K12 is entitled to 15% percent of revenues as an administrative fee (management) and 7% of revenues as a technology fee. The educational services are purchased at the prevailing rate charged by K12 Inc. to its partner schools. Terms of the contract require K12. To provide the following:

A. Administrative services:
- Personnel and facility management
- Administration of all business aspects and day-to-day management of the School
- Budgeting and financial reporting and the annual reports
- Financial management
- Maintenance of financial and student records
- Pupil recruitment, admissions and student discipline
- Rules and procedures and nondiscrimination requirements
- Public relations
- Teacher effectiveness and training
- Sponsor policies and charter renewal

B. Technology services:
- 24/7 monitoring of production services. i.e., SIMS and the on-line learning management system
- Monitor and analyze data, as necessary
- Report on pupils' academic performance
- Seek and secure competitive pricing and discounts for School, as available
- Provide training to staff, as deemed necessary
- Develop community tools on the School's website and K12 platform
- Determine hardware configurations (including software and operating systems)
- Provide onsite and telephone support for the School Administration in troubleshooting system errors
- Telephone support for students
- Propose policies and procedures regarding the responsible use of computer equipment
- Support teachers and associates in answering technology related questions from students, parents, teachers and administrators
- Ensure electronic integrity of student records (through the use of encryption, firewalls, etc.)

14. MANAGEMENT AGREEMENT

- Provide web-filtering device
- Provide online enrollment, registration and placement services,
- Provide email accounts for school employees
- Coordinate web hosting contracts and relationships with vendors across the state as needed

C. Educational products and services:
- Curriculum
- Instructional tools and materials
- Instructional support
- Computers
- Testing support

15. K12 INC. MANAGEMENT COMPANY DISCLOSURE

For the fiscal year ended June 30, 2023, K12 Inc. incurred the following expenses in support of the School:

Direct Expenses (Object Code)	Regular Instruction *(1100 Function) Codes)*	Special Instruction *(1200 Function) Codes)*	Support Services *(2000 Function) Codes)*	Non-Instructional *(3000 through (7000 Function) Codes)*	Total
Salaries and Wages (100)	$ -	$ -	$ 803,452	$ -	$ 803,452
Employees' Benefits (200)	-	-	180,599	-	180,599
Professional & Technical Services (410)	-	-	191,324	-	191,324
Property Services (420)	-	-	27,136	-	27,136
Travel (430)	-	-	17,966	-	17,966
Communications (440)	-	-	334,307	-	334,307
Contracted Craft or Trade Services (460)	-	-	3,315	-	3,315
Other Purchased Services (490)	-	-	41,409	-	41,409
Books, Periodicals, & Films (520, 530, 540)	215,283	49,189	-	-	264,472
Other Supplies (510, 550, 570, 580, 590)	-	-	146,389	-	146,389
Depreciation	-	-	-	133,266	133,266
Interest (820)	-	-	-	(33,264)	(33,264)
Dues and Fees (840)	-	-	149,725	-	149,725
Other Direct Costs (all other object codes)	-	-	(71,897)	-	(71,897)
Total Allocated Direct Expenses	215,283	49,189	1,823,725	100,002	2,188,199
Overhead	-	-	933,711	-	933,711
Total Direct Expenses and Overhead	$ 215,283	$ 49,189	$ 2,757,436	$ 100,002	$ 3,121,910

15. K12 INC. MANAGEMENT COMPANY DISCLOSURE - (CONTINUED)

Overhead expenses were allocated to the School based on the ratio of revenue earned from the School to total revenue from all schools managed by K12.

16. SPONSOR

The School was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of five academic years commencing on July 1, 2019 through June 30, 2024. As part of this contract, the Sponsor is paid an oversight fee which is 3 percent of the total State Foundation funds received during the year. The total amount paid to the Sponsor for fiscal year 2023 was $180,026.

17. BALANCED BUDGET CREDITS

The School and K12 agreed to take all reasonable steps necessary to avoid a deficit net position at fiscal year-end, excluding adjustments related to GASB Statements No. 68 and 75, during the term. At the end of the year, if necessary, based on the School's audited financial statements, K12 will issue sufficient credits, Balanced Budget Credits, during the term to be applied to K12 invoices. If the cumulative total of Balanced budget Credit exceeds the total of the administrative services fee and the technology fee due to K12 for the current fiscal year, K12 can issue additional credits as needed. All Balanced Budget Credits shall be accounted for and documented.

If the School's budget ends a fiscal year in a positive net position, as evidenced by its audited financial statements in accordance with GAAP, and K12 has issued Balanced Budget Credits, the Board and K12 will remit to K12 the Positive Net Position for the fiscal year, to the extent not prohibited by law, up to the cumulative amount of previously issued Balanced Budget Credits.

For the year ended June 30, 2023, the School received a Balanced Budget Credit of $2,510,699 that is applicable to fiscal year 2023 for a combined total of $4,387,924.

18. CHANGE IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

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

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

18. CHANGE IN ACCOUNTING PRINCIPLES - (CONTINUED)

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

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. These changes were incorporated in the School's fiscal year 2023 financial statements.

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

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

19. SIGNIFICANT SUBSEQUENT EVENTS

On November 13, 2023, the School entered into an amended and restated lease agreement for an office facility with a commencement date of December 1, 2023 and a termination date of November 30, 2028. This agreement amends and restates the office facility lease that was scheduled to terminate on June 30, 2024.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS

	2023	2022	2021
School's Proportion of the Net Pension Liability	0.02118610%	0.02328430%	0.01624500%
School's Proportionate Share of the Net Pension Liability	$ 1,145,909	$ 859,123	$ 1,074,479
School's Covered Payroll	$ 773,450	$ 248,693	$ 140,257
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	148.16%	345.46%	766.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.46%	68.55%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

Amounts presented as of the School's measurement date which is the prior fiscal year end

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS

	2023	2022	2021
School's Proportion of the Net Pension Liability	0.01142185%	0.00904801%	0.00479278%
School's Proportionate Share of the Net Pension Liability	$ 2,539,091	$ 1,156,869	$ 1,159,682
School's Covered Payroll	$ 1,531,521	$ 1,189,121	$ 688,143
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	165.79%	97.29%	168.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.88%	87.78%	75.48%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS

	2023	2022	2021	2020
Contractually Required Contribution	$ 113,422	$ 108,283	$ 34,817	$ 19,636
Contributions in Relation to the Contractually Required Contribution	(113,422)	(108,283)	(34,817)	(19,636)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School Covered Payroll	$ 810,157	$ 773,450	$ 248,693	$ 140,257
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS

	2023	2022	2021	2020
Contractually Required Contribution	$ 256,302	$ 214,413	$ 166,477	$ 96,340
Contributions in Relation to the Contractually Required Contribution	(256,302)	(214,413)	(166,477)	(96,340)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School Covered Payroll	$ 1,830,729	$ 1,531,521	$ 1,189,121	$ 688,143
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS

	2023	2022	2021
School's Proportion of the Net OPEB Liability	0.01971730%	0.02107670%	0.01484160%
School's Proportionate Share of the Net OPEB Liability	$ 276,833	$ 398,894	$ 322,557
School's Covered Payroll	$ 773,450	$ 248,693	$ 140,257
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.79%	160.40%	228.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY (ASSET)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS

	2023	2022	2021
School's Proportion of the Net OPEB Liability (Asset)	0.01142185%	0.00904801%	0.00479278%
Schooly's Proportionate Share of the Net OPEB Liability (Asset)	$ (295,750)	$ (190,770)	$ (84,233)
School's Covered Payroll	$ 1,531,521	$ 1,189,121	$ 688,143
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	19.31%	16.04%	12.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	230.73%	174.73%	182.10%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

Amounts presented as of the School's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS

	2023	2022	2021	2020
Contractually Required Contribution	$ 592	$ 2,925	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	(592)	(2,925)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School Covered Payroll	$ 810,157	$ 773,450	$ 248,693	$ 140,257
Contributions as a Percentage of Covered Payroll	0.07%	0.38%	0.00%	0.00%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

See accompanying notes to the required supplementary information.

OHIO DIGITAL LEARNING SCHOOL
LUCAS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS

	2023	2022	2021	2020
Contractually Required Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School Covered Payroll	$ 1,830,729	$ 1,531,521	$ 1,189,121	$ 688,143
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

Note: Fiscal year 2020 was the first year of operations for the School. The School will continue to present information for years available until a ten-year trend is available.

See accompanying notes to the required supplementary information.

NOTE A - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO - PENSION

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021. For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%. There were no changes in benefit terms from the amounts reported for fiscal year 2023.

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

NOTE B - STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO - PENSION

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2021. For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%. For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.

NOTE C - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO - OPEB

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2023.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table. For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

NOTE D - STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO - OPEB

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate. For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate. For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate. For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

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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 Trustees
Ohio Digital Learning School
Lucas County, Ohio
1745 Indian Wood Circle
Maumee, Ohio 43537

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 Ohio Digital Learning School, Lucas 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 April 22, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
April 22, 2024

OHIO AUDITOR OF STATE
KEITH FABER

OHIO DIGITAL LEARNING SCHOOL

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/16/2024

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