PRIORITY HIGH SCHOOL
HAMILTON COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2022

Zupka & Associates
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

Board of Trustees
Priority High School
2945 Gilbert Avenue
Cincinnati, Ohio 45206

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

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

Keith Faber
Auditor of State
Columbus, Ohio

April 09, 2024

PRIORITY HIGH SCHOOL
HAMILTON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Priority High School
Hamilton County
2945 Gilbert Avenue
Cincinnati, Ohio 45206

To the Members of the Board:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Priority High School, Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Priority High School as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 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.

Zupka & Associates

Zupka & Associates
Certified Public Accountants

March 8, 2024

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The management's discussion and analysis of Priority High School's (the School) financial performance provides an overall view of the School's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the Notes to the Basic Financial Statements and the basic financial statements to enhance their understanding of the School's financial performance.

Key Financial Highlights of the School

Key 2022 financial highlights for the School are as follows:

- The School saw the net position decrease by $17,002 during fiscal year 2022. The cash balance did drop during the year by $16,422 but the School is reporting construction in progress for work being down on a second School site.

- The School is required to report a net pension liability and OPEB liability of $55,922 as these are components that significantly reduce the School's net position. By removing the items related to GASB 68 and GASB 75, the School would report a net position of $7,168.

- The total accounts payable did decrease by $5,782 during the year.

Using this Annual Financial Report and Overview of Financial Statements

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

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

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

Financial Analysis

Table 1 provides a summary of the School's net position at fiscal year-end for fiscal years 2022 and 2021 (GAAP basis). Includes restated lines for the implementation of GASB 87, Leases.

	2022	2021 (Restated)
Assets:		
Current Assets	$ 42,354	$ 64,526
Noncurrent Assets	197,178	218,814
Total Assets	239,532	283,340
Deferred Outflows of Resources	79,804	174,353
Liabilities		
Current Liabilities	130,908	135,047
Long-term Liabilities		
Net Pension Liability	38,719	178,953
OPEB Liability	17,203	20,179
Other Long-term Liabilities	68,071	134,456
Total Liabilities	254,901	468,635
Deferred Inflows of Resources	113,189	20,810
Net Position:		
Net investment in capital assets	50,319	-
Restricted	48,000	37,500
Unrestricted	(147,073)	(69,252)
Total Net Position	$ (48,754)	$ (31,752)

The net pension liability (NPL) was one of the larger liabilities reported by the School at June 30, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The School also reports GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Including the pension/OPEB items, the School saw total assets decrease by $138,357 as the School saw the cash balance decrease with increased expenses. The School reports construction in progress for the engineering work being down on a possible second site for the School. The amounts reported as deferred inflows of resources decreased with the change in the proportionate share.

The current liabilities decreased by $4,139 as the School reported higher accounts payable in fiscal year 2021. The School recognized both the Net Pension Liability and OPEB asset/liability for the current year as the allocation was assigned to the School by the retirement systems. That also helps explain why the deferred inflow of resources increased since those changes are amortized over the remaining service life for each retirement system. The School also reports a long term liability for the lease obligation reported in both years. The amount due decreased with the lease having another year of amortization.

Financial Analysis

Table 2 shows the change in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	2022	2021
Operating Revenues:		
State Foundation	$ 767,771	$ 639,885
Other	-	14,238
Total Operating Revenues	767,771	654,123
Operating Expenses:		
Fringe Benefits	64,993	71,092
Purchased Services	665,708	429,330
Materials and Supplies	5,101	12,755
Amortization	65,580	-
Other	-	4,003
Total Operating Expenses	801,382	517,180
Operating Income (Loss)	(33,611)	136,943
Nonoperating Revenues (Expenses)		
Federal and State Grants	20,867	17,812
Interest Expense	(4,258)	-
Total Nonoperating Revenues (Expense)	16,609	17,812
Change in Net Position	(17,002)	154,755
Net Position, Beginning of Year	(31,752)	(186,507)
Net Position, End of the Year	$ (48,754)	$ (31,752)

The School saw the student population increase from 85 to 93 FTE resulting in the foundation revenue increasing almost $128,000 during fiscal year 2022. Another large increase between the two years is related to purchased services that increased by $236,378 with the additional students. The School operates the staff as contracts which in turns pushes those figures higher. The School also reported net pension/OPEB liabilities for both year with pension expenses being reported under fringe benefits. The amount decreased in 2022 with the lower proportionate share of the obligations assigned the School.

Budget Highlights

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

Capital Assets

At the end of 2022, the School reported construction in progress of $51,157 and also leased assets of $133,618. For more information see Note 6.

Debt

At June 30, 2022, the School had an outstanding lease payable obligation of $134,456. For more information see Note 11.

Current Financial Issues

The School saw enrollment at 93 for fiscal year 2022. The November 2022 reports shows enrollment at 95.

Contacting the School

This financial report is designed to provide a general overview of the finances of the School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the School, 2945 Gilbert Avenue, Cincinnati, Ohio 45206.

PRIORITY HIGH SCHOOL
HAMILTON COUNTY, OHIO
STATEMENT OF NET POSITION

AS OF JUNE 30, 2022

Assets:	
Current assets:	
Cash and cash equivalents	$ 42,354
Noncurrent assets:	
Security Deposit	11,500
Net OPEB asset	903
Total noncurrent assets	12,403
Capital assets:	
Nondepreciable capital assets	51,157
Amortized leased assets	133,618
Total capital assets	184,775
Total Assets	239,532
Deferred Outflows of Resources:	
Pension	60,153
OPEB	19,651
Total Deferred Outflows of Resources	79,804
Liabilities:	
Current liabilities	
Accounts payable	64,523
Current portion of lease payable	66,385
Total current liabilities	130,908
Long term liabilities	
Net Pension liability	38,719
OPEB liability	17,203
Leases payable	68,071
Total long term liabilities	123,993
Total Liabilities	254,901
Deferred Inflows of Resources:	
Pension	100,249
OPEB	12,940
Total Deferred Inflows of Resources	113,189
Net Position:	
Net investment in capital assets	50,319
Restricted for grants	48,000
Unrestricted	(147,073)
Total Net Position	$ (48,754)

See accompanying Notes to the Basic Financial Statements

PRIORITY HIGH SCHOOL
HAMILTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating revenues:	
Foundation payments	$ 767,771
Operating expenses:	
Fringe benefits	64,993
Purchased services	665,708
Materials and supplies	5,101
Amortization	65,580
Total operating expenses	801,382
Operating Loss	(33,611)
Non-Operating revenues (expenses):	
Federal and state grants	20,867
Interest expense	(4,258)
Total non-operating revenues (expenses)	16,609
Change in net position	(17,002)
Net position at beginning of year	(31,752)
Net position at end of year	$ (48,754)

See accompanying Notes to the Basic Financial Statements

PRIORITY HIGH SCHOOL
HAMILTON COUNTY, OHIO
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 768,901
Cash payments for personal services	(14,062)
Cash payments for contract services	(630,631)
Cash payments for supplies and materials	(48,608)
Net cash provided by operating activities	75,600
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	20,867
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(43,889)
Principal paid on debt obligations	(64,742)
Interest paid on debt obligations	(4,258)
Net cash used by capital and related financing activities	(112,889)
Net change in cash and cash equivalents	(16,422)
Cash and Cash Equivalents at beginning of year	58,776
Cash and Cash Equivalents at end of year	42,354
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(33,611)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Amortization	65,580
Change in assets and liabilities:	
Decrease in prepaids	5,750
Decrease in OPEB asset	7,213
Decrease in deferred outflows	94,549
Decrease in accounts payable	(13,050)
Increase in deferred inflows	92,379
Decrease in net pension liability	(140,234)
Decrease in OPEB liability	(2,976)
Total Adjustments	43,631
Net cash provided by operating activities	$ 75,600

See accompanying Notes to the Basic Financial Statements

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

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

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

The School began operations at the beginning of the 2020 school year. The School signed a contract with The Educational Resource Consultants of Ohio, Inc. (ERCO) (Sponsor) to operate for a period from July 1, 2019 through June 30, 2022. The School operates under a self-appointing, five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state- mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by the management company who provide services to 93 full time equivalent students.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

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

D. Cash and Investments

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

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

E. Capital Assets and Depreciation/Amortization

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Intergovernmental Revenues

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

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

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

Amounts awarded under the items above for the year ended June 30, 2022 totaled $788,638.

G. Net Position

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

H. Deferred Outflows/Inflows of Resources

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

I. Pensions/Other Postemployment Benefits (OPEB)

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

J. Estimates

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

K. Operating Revenues and Expenses

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

NOTE 3 – CASH AND CASH EQUIVALENTS

At fiscal year end June 30, 2022, the carrying amount of the School's deposits was $42,354, and the bank balance was $73,397. The entire bank balance was covered by Federal Deposit Insurance.

NOTE 3 – CASH AND CASH EQUIVALENTS (continued)

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

NOTE 4 – PURCHASED SERVICES

For the fiscal year ended June 30, 2022, purchased services expenses were are as follows:

Professional and Technical	$	343,734
Data processing		25,771
Legal		25,438
Property Services		223,059
Utilities		8,787
Communications		38,919
Total	$	665,708

NOTE 5 – RECEIVABLES

The School had no reportable receivables at June 30, 2022.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022:

	Restated Balance 6/30/21	Additions	Deductions	Balance 6/30/22
Capital Assets Not Being Depreciated				
Construction in Progress	$0	$51,157	$0	$51,157
Capital Assets Being Depreciated/Amortized				
Intangible Right-to-use Lease – Building	199,198	0	0	199,198
Less Accumulated Depreciation/Amortized				
Intangible Right-to-use Lease – Building	0	(65,580)	0	(65,580)
Total Capital Assets Being Depreciated/Amortized,	199,198	(65,580)	0	133,618
Net Capital Assets, Net	$199,198	($14,423)	$0	$184,775

NOTE 7 – SPONSORSHIP AGREEMENT

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

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

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

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

During the fiscal year, the School paid the Sponsor $21,793 in sponsorship fees.

NOTE 8 – RISK MANAGEMENT

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; the greater of (1) the sum of 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2021, the Board of Trustees approved a 2 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

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

For the fiscal year ended June 30, 2022, the funding percentage was 82.86%; therefore, the allocation to pension, death benefits, and Medicare B was 13.25 percent. 0.75 percent was allocated to the Health Care Fund for fiscal year 2022.

The School's contractually required contribution to SERS was $3,898 for fiscal year 2022.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School's contractually required contribution to STRS was $0 for fiscal year 2022.

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

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportionate share of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the Net Pension Liability - prior measurement date	0.0010163%	0.00046177%	
Proportionate share of the Net Pension Liability - current measurement date	0.0009010%	0.00042806%	
Change in proportionate share	-0.0001153%	-0.00003371%	
Proportionate Share of the Net Pension Liability	$33,246	$5,473	$38,719
Pension Expense	$19,625	$628	$20,253

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

At June 30, 2022, 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	$4	$168	$172
Changes in proportionate share	8,398	45,467	53,865
Changes in assumptions	700	1,518	2,218
School contributions subsequent to the measurement date	3,898	0	3,898
Total Deferred Outflows of Resources	$13,000	$47,153	$60,153
Deferred Inflows of Resources			
Differences between expected and actual experience	$862	$35	$897
Changes in proportionate share	4,375	73,138	77,513
Net difference between projected and actual earnings on pension plan investments	17,123	4,716	21,839
Total Deferred Inflows of Resources	$22,360	$77,889	$100,249

$3,898 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	$1,427	($3,958)	($2,531)
2024	(5,362)	(3,778)	(9,140)
2025	(4,066)	(3,837)	(7,903)
2026	(5,257)	(19,163)	(24,420)
Total	($13,258)	($30,736)	($43,994)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 13.58 percent
Inflation	2.40 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.00 percent net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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 disable 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 actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board in April 2021.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School's proportionate share of the net pension liability	$55,310	$33,246	$14,635

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll increases	3.00 percent
Cost-of-Living Adjustments	0% effective July 1, 2017

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School's proportionate share of the net pension liability	$10,249	$5,473	$1,437

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Net OPEB Asset/Liability

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

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

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Plan Description - School Employees Retirement System (SERS)

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

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

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

For fiscal year 2022, the contribution to health care was 0.75 percent. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School paid $0 for the SERS surcharge.

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB asset/liability was measured as of June 30, 2021, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School's proportionate share of the net OPEB asset/liability was based on the School's share of contributions to the OPEB plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate share of the Net Pension Liability - prior measurement date	0.0009285%	0.00046177%	
Proportionate share of the Net Pension Liability - current measurement date	0.0009090%	0.00004281%	
Change in proportionate share	-0.0000195%	-0.0004190%	
Proportionate Share of the Net OPEB Liability/(Asset)	$17,203	($903)	$16,300
OPEB Expense (Income)	$5,357	$136	$5,493

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

At June 30, 2022, 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	$184	$32	$216
Changes of assumptions	2,698	59	2,757
Changes in proportionate share	16,217	461	16,678
Total Deferred Outflows of Resources	$19,099	$552	$19,651
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$374	$250	$624
Differences between expected and actual experience	8,567	164	8,731
Changes in assumptions	2,356	538	2,894
Changes in proportionate share	481	210	691
Total Deferred Inflows of Resources	$11,778	$1,162	$12,940

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:			
2023	$1,594	($191)	$1,403
2024	1,592	(189)	1,403
2025	1,614	(173)	1,441
2026	1,917	(49)	1,868
2027	901	21	922
Thereafter	(297)	(29)	(326)
Total	$7,321	($610)	$6,711

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.27 percent
Prior Measurement Date	2.63 percent
Medical Trend Assumption	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent

Mortality rates were based on 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.

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School's proportionate share of the net OPEB liability	$21,317	$17,203	$13,917

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School's proportionate share of the net OPEB liability	$13,245	$17,203	$22,491

Actuarial Assumptions – STRS

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

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent, effective July 1, 2017 (COLA)
Blended Discount Rate of Return	7.00 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	29.98 percent initial, 4 percent ultimate

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

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

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

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2022 to 2.1 percent for the AMA Medicare plan. Beginning in 2023, the STRS Ohio subsidy dollar amount for non-medicare plans will be frozen at the current 2022 levels. Annual increases in the STRS Ohio subsidy dollar amount for Medicare plans will be based on the annual percentage increase in the Aetna Medicare Advantage Plan, limited at 6%.

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

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

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

NOTE 10 – DEFINED BENEFIT OPEB PLAN (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB asset as of June 30, 2021.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School's proportionate share of the net OPEB asset	($762)	($903)	($1,020)

	1% Decrease	Current Trent Rate	1% Increase
School's proportionate share of the net OPEB asset	($1,015)	($903)	($763)

NOTE 11 – OTHER LONG-TERM OBLIGATIONS

Long-term obligations outstanding for the School as of June 30, 2022 was as follows:

Description	Restated Balance 06/30/21	Additions	Deletions	Balance 06/30/22	Due Within One Year
Building Lease Payable	$199,198	$0	$64,742	$134,456	$66,385
Net Pension Liability					
SERS	67,220	0	33,974	33,246	0
STRS	111,733	0	106,260	5,473	0
Net OPEB Liability					
SERS	20,179	0	2,976	17,203	0
Total	$398,330	$0	$207,952	$190,378	$66,385

The School reports a building lease liability for the agreement to rent the building through June 30, 2024. For more information see Note 14.

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

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

NOTE 12 - AGREEMENT WITH CINCINNATI CHARTER SCHOOL COLLABORATIVE

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

The School had purchased services for the fiscal year ended June 30, 2022, to CCSC, of $145,199. CCSC will be responsible for procuring the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the school or reimbursed to CCSC.

NOTE 13 – CONTINGENCIES

A. Grants

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

B. School Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2022.

As of the date of this report, additional ODE adjustments for fiscal year 2022 have been finalized. As of the June final No.1, report the School has reported a payable of $1,130.

C. Pending Litigation

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

NOTE 14 – LEASE AGREEMENT

The School has a lease with MESJJ for the facility and property located at 2945 Gilbert Avenue, Cincinnati, Ohio. The lease term runs from July 1, 2020 to July 1, 2024. The lease has a four year extension option that can be exercised by the School. The annual lease payments total $69,000. The lease included a $11,500 security deposit that is recorded on the statement of net position.

Fiscal Year	Building Leases Payable		
Ending June 30,	Principal	Interest	Total
2023	$66,385	$2,615	$69,000
2024	68,071	929	69,000
Total	$134,456	$3,544	$138,000

NOTE 15 –CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2022, the School implemented GASB 87, *Leases*. The statements requires the School to evaluate all leases whether operating or capital to determine the fair value of the leased assets as well as the associated liability. The School has one lease rental agreement. The implementation of the statement had no effect on the beginning net position at June 30, 2021. The School recognized $199,198 in building lease payable at June 30, 2021, and this entire amount was full offset by the intangible right-to-use leased asset.

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

	2022	2021
The School's Proportionate Share of the Net Pension Liability	0.0009010%	0.0010163%
The School's Proportionate Share of the Net Pension Liability	$ 33,246	$ 67,220
The School's Covered Payroll	$ 31,100	$ 36,948
The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.90%	181.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%

(1) Information prior to 2021 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	2022	2021
The School's Proportionate Share of the Net Pension Liability	0.00004281%	0.00046177%
The School's Proportionate Share of the Net Pension Liability	$ 5,473	$ 111,733
The School's Covered Payroll	$ 5,282	$ 55,729
The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.62%	200.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%

(1) Information prior to 2021 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	2022	2021	2020
Contractually Required Contributions	$ 3,898	$ 4,354	$ 4,988
Contributions in Relation to the Contractually Required Contribution	(3,898)	(4,354)	(4,988)
Contribution Deficiency (Excess)	$ -	$ -	$ -
The School Covered Payroll	$ 29,530	$ 31,100	$ 36,948
Contributions as a Percentage of Covered Payroll	13.20%	14.00%	13.50%

(1) Information prior to 2020 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	2022	2021	2020
Contractually Required Contributions	$ -	$ 739	$ 7,802
Contributions in Relation to the Contractually Required Contribution	-	(739)	(7,802)
Contribution Deficiency (Excess)	$ -	$ -	$ -
The School Covered Payroll	$ -	$ 5,282	$ 55,729
Contributions as a Percentage of Covered Payroll	0.00%	14.00%	14.00%

(1) Information prior to 2020 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	2022	2021
The School's Proportionate Share of the Net OPEB Liability	0.0009090%	0.0009285%
The School's Proportionate Share of the Net OPEB Liability	$ 17,203	$ 20,179
The School's Covered Payroll	$ 31,100	$ 36,948
The School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	55.32%	54.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%

(1) Information prior to 2021 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	2022	2021
The School's Proportionate Share of the Net OPEB Asset	0.00004281%	0.00136793%
The School's Proportionate Share of the Net OPEB Asset	$ (903)	$ (8,116)
The School's Covered Payroll	$ 5,282	$ 55,729
The School's Proportionate Share of the Net OPEB Asset as a Percentage of its Covered Payroll	-17.10%	-14.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	174.73%	182.10%

(1) Information prior to 2021 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	2022	2021	2020
Contractually Required Contributions	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
The School Covered Payroll	$ 29,530	$ 31,100	$ 36,948
Contributions as a Percentage of Covered-Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2020 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	2022	2021	2020
Contractually Required Contributions	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
The School Covered Payroll	$ -	$ 5,282	$ 55,729
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2020 is not available. The schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

See accompanying notes to the required supplementary information

PRIORITY HIGH SCHOOL
HAMILTON COUNTY, OHIO
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Note 1 - Net Pension Liability

<u>School Employees Retirement System (SERS)</u>

Changes in Benefit Terms:
2020-2022: There were no changes to the benefit terms.

Changes in Assumptions:
2022: The SERS Board adopted the following assumption changes:

- -Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- -Payroll Growth Assumption was reduced from 3.50 percent to 1.75 percent
- -Assumed real wage growth was increased from 0.50 percent to 0.85 percent
- -Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- -Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- -Mortality among service retired members, and beneficiaries was updated to the following: PUB-2010 General Amount Weighted Below Median Employee mortality table. Future improvement in mortality rates is reflected by applying the MP-2020.
- -Mortality among service retired members was updated to the following:
  PUB-2010 General Employee Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
- -Mortality among contingent survivors was updated to the following:
  PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
- -Mortality among disabled members was updated to the following:
  PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

2020-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

<u>State Teachers Retirement System (STRS)</u>

Changes in Benefit Terms:
2020-2022: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:
2022: The investment return rate was decreased from 7.45% to 7.00%.

2020-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Note 2 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:
2020-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:
2022:
-This discount rate changed from 2.63% to 2.27%
-The investment rate of return was reduced from 7.50% to 7.00%
-Assumed rate of inflation was reduced from 3.00% to 2.40%
-The investment rate of return was reduced from 7.50%
-Payroll Growth Assumption was reduced from 3.50% to 1.75%
-Assumed real wage growth was increased from 0.50% to 0.85%
-Rates of withdrawal, retirement and disability were updated to reflect recent experience.
-Rate of health care participation for future retirees and spouses was updated to reflect recent experience.
- Mortality among active members was updated to the following:
  -PUB-2010 General Amount Weighted Below Median Employee mortality table.
-Mortality among service retired members was updated to the following:
  -PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
-Mortality among beneficiaries was updated to the following:
  -PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
-Mortality among disabled member was updated to the following:
  -PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 year and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
-Mortality rates are projected using a fully generational projection with Scale MP-2020.
-Municipal Bond Index Rate:

Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent

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

Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent

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

Note 2 - Net OPEB (Asset)/Liability (Continued)

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

(1) Discount Rate:

Prior Measurement Date	3.22%
Measurement Date	2.63%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.13%
Measurement Date	2.45%

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

Prior Measurement Date	3.22%
Measurement Date	2.63%

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

(1) Discount Rate:

Prior Measurement Date	3.70%
Measurement Date	3.22%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.62%
Measurement Date	3.22%

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

Prior Measurement Date	3.70%
Measurement Date	3.22%

<u>State Teachers Retirement System (STRS)</u>

Changes in Benefit Terms:
2022: No changes in benefits terms.

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

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

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

2020-2021: No changes in assumptions.

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

Priority High School
Hamilton County
2945 Gilbert Avenue
Cincinnati, Ohio 45206

To the Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Priority High School, Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated March 8, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 School’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as item **2022-001**.

School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Zupka & Associates

Zupka & Associates
Certified Public Accountants

March 8, 2024

Finding No. 2022-001 - Non-Compliance – Accounting for Management Company Expenses

Statement of Condition/Criteria
Ohio Revised Code Section 3314.024(A) states "A management company that receives more than twenty percent of the annual gross revenues of a community school shall provide a detailed accounting including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth in divisions (B) and (C) of this section, as applicable."

Ohio Revised Code Section 3314.024(C) states "The expenses set forth in division (B) of this section shall be disaggregated according to the following designations, as applicable:

1. Regular instruction;
2. Special instruction;
3. Vocational instruction;
4. Other instruction;
5. Support services;
6. Noninstructional activities."

In order to meet these requirements, management companies may elect to have the Auditor of State (or contracting IPAs) audit this information at the management company or may provide independently audited financial statements and a statement showing the direct and allocated indirect (e.g., overhead) expenses for each school it manages. The companies should present this statement in a combining or consolidating format (i.e., present a column for each school). If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company's auditor does not provide opinion-level assurance on the combining or consolidating columns presenting each school, the Auditor of State will accept an agreed upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215.

Cause/Effect
Cincinnati Charter School Collaborative, the School's management company, received more than 20 percent of the School's annual gross revenue for fiscal year 2022. Due to deficiencies in the School's internal controls over compliance, the School's management company did not provide audited financial statements, presenting combining or consolidating columns for each of its schools, or an agreed-upon procedures (AUP) report. Additionally, a management company note was not presented in the financial statements in accordance with Section (C) above. Without this information, the School cannot gain the necessary assurances regarding the details of the management company expenses related to monies paid to the management company by the School as reported in the notes to the basic financial statements.

Recommendation
We recommend that the School obtain the necessary audit or AUP report.

Management's Response
The School will request that the management company provide audited financial statements, presenting combined or consolidating columns for each of its schools, or an agreed-upon procedures report, to meet the reporting requirements in future periods.

PRIORITY HIGH SCHOOL
HAMILTON COUNTY OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The prior audit report for the fiscal year ended June 30, 2021, included no citations, instances of noncompliance, or management letter comments.

OHIO AUDITOR OF STATE
KEITH FABER

PRIORITY HIGH SCHOOL

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 4/23/2024

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