

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2021**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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Members of the Board  
Klepinger Community School  
3650 Klepinger Road  
Dayton, Ohio 45416

We have reviewed the *Independent Auditor's Report* of Klepinger Community School, Montgomery County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2020 through June 30, 2021. 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. Klepinger Community School is responsible for compliance with these laws and regulations.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 04, 2022

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**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Klepinger Community School  
Dayton, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

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

### ***Emphasis of Matter***

As described in Notes 17 and 20 to the basic financial statements, the School is experiencing financial difficulties and management has a plan in regard to this matter. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. As discussed in Note 19 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. As discussed in Note 21 to the basic financial statements, the school foundation aid received from the State of Ohio will be funded through the direct funding model. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The Combining Statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Combining Statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022, 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 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 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

January 12, 2022

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**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The discussion and analysis of the financial performance for Klepinger Community School and its blended component unit (collectively "the School") provides an overall review of the School's financial activities for the fiscal year ended June 30, 2021. The blended component unit, Klepinger School Properties LLC, is described in the notes to the basic financial statements. 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 financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2021 are as follows:

- In total, net position was a deficit of \$4,986,784 at June 30, 2021.
- The School had operating revenues of \$5,137,714, operating expenses of \$7,289,558, non-operating revenues of \$2,213,722 and non-operating expenses of \$719,581 for fiscal year 2021.
- During fiscal year 2021, the School entered into an agreement for an \$12,215,000 promissory note for the acquisition, renovation, and construction of certain land and educational facilities.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2021?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

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

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

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below provides a summary of the School's net position for fiscal year 2021 and 2020.

<b>Net Position</b>		
	2021	2020
<b><u>Assets</u></b>		
Current assets	\$ 2,818,041	\$ 292,211
Non-current assets	8,978,602	206,586
Total assets	11,796,643	498,797
<b><u>Deferred outflows of resources</u></b>	1,147,830	1,064,972
<b><u>Liabilities</u></b>		
Current liabilities	619,856	294,621
Non-current liabilities	16,338,561	4,468,213
Total liabilities	16,958,417	4,762,834
<b><u>Deferred inflows of resources</u></b>	972,840	1,130,016
<b><u>Net Position</u></b>		
Net investment in capital assets	(609,062)	-
Restricted	98,233	-
Unrestricted (deficit)	(4,475,955)	(4,329,081)
Total net position (deficit)	\$ (4,986,784)	\$ (4,329,081)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset 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.
2. Minus plan assets available to pay these benefits.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

In accordance with GASB 68 and GASB 75, the School's statements 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 liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2021 and 2020, the School's net position totaled deficits of (\$4,986,784) and (\$4,329,081), respectively.

Current assets represent cash, accounts and intergovernmental receivables. Current liabilities represent accounts and intergovernmental payables for professional services. Refer to Notes 2.K, Note 5 and Notes 11.A and 11.B for detail on the current receivables and payables.

Non-current assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS) assets. See Note 9 for more detail.

At year-end, capital assets represented 74.31% of total assets. Capital assets consist of land, building and improvements and construction in progress. During fiscal year 2021, the School entered into an agreement for a \$12,215,000 promissory note for the acquisition, renovation, and construction of certain land and educational facilities. Net position invested in capital assets at June 30, 2021, was a deficit of \$609,062. These capital assets are used to provide services to the students and are not available for future spending. Although the School's investment in capital assets are reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Long-term liabilities outstanding at June 30, 2021 represent the net pension liability (see Note 8 for detail), the net OPEB liability (see Note 9 for detail) and the promissory note (see Note 7 for detail). Refer to Note 7 for a summary of the changes in the School's long-term obligations during fiscal year 2021.

Net position of \$98,104 is restricted to reserve funds for debt service and \$129 is restricted to reserve funds for capital projects in conjunction with the promissory note issued in fiscal year 2021 (see Note 10 for detail).

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below shows the changes in net position for fiscal years 2021 and 2020.

**Change in Net Position**

	<u>2021</u>	<u>2020</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 5,137,714	\$ 4,940,038
Total operating revenue	<u>5,137,714</u>	<u>4,940,038</u>
<b><u>Operating Expenses:</u></b>		
Purchased services:		
Management fees	6,300,696	6,185,713
Sponsorship fees	150,056	144,148
Legal fees	36,895	35,927
Professional services	24,909	21,406
Lease payments	665,187	986,639
Other	9,872	8,608
Depreciation	<u>101,943</u>	<u>-</u>
Total operating expenses	<u>7,289,558</u>	<u>7,382,441</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Federal and state grants	2,213,585	2,220,194
Interest earnings	137	-
Interest expense	(241,121)	-
Note issuance costs	<u>(478,460)</u>	<u>-</u>
Total non-operating revenues	<u>1,494,141</u>	<u>2,220,194</u>
Change in net position	(657,703)	(222,209)
Net position (deficit) at beginning of year	<u>(4,329,081)</u>	<u>(4,106,872)</u>
Net position (deficit) at end of year	<u>\$ (4,986,784)</u>	<u>\$ (4,329,081)</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from Federal entitlement programs. The School's State foundation revenue increased as a result of an increase in student enrollment from 554 students in fiscal year 2020 to 574 students in fiscal year 2021.

The School received Federal grant monies through the Child Nutrition Breakfast and Lunch, Title I, Title I-A, Title II-A, Title IV-A, IDEA-B, Coronavirus Relief Fund (CRF), Elementary and Secondary School Emergency Relief (ESSER), BroadbandOhio Connectivity, Title II-A and Student Wellness and Success programs. During fiscal year 2021, the School was designated a Community School of Quality, and was eligible to receive up to \$1,750 in each fiscal year for each pupil identified as economically disadvantaged and up to \$1,000 in each fiscal year for all other pupils. The School received \$566,041 from the Quality Community School support program. The amount received from the Quality Community School support program decreased \$323,096 from fiscal year 2020. This decrease was offset by ESSER and CRF funding received during fiscal 2021 in response to the COVID-19 pandemic.

Overall, expenses decreased \$92,883 during fiscal year 2021, due a decrease in lease payments. The School contracted with Imagine Schools, Inc. for management services for fiscal years 2021 and 2020 (see Note 11.B to the notes to the basic financial statements for detail).

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

***Debt***

During fiscal year 2021, the School entered into an agreement for a \$12,215,000 promissory note for the acquisition, renovation, and construction of certain land and educational facilities. No principal payments were made on this debt obligation during fiscal year 2021. Of the total, \$12,215,000 is due in more than one year. See Note 7 to the basic financial statements for more information.

***Capital Assets***

At June 30, 2021, the School had \$8,765,836 (net of accumulated depreciation) invested in land, buildings and improvements and construction in progress. See Note 6 to the basic financial statements for more detail on capital assets.

**Restrictions and Other Limitations**

The future stability of the School is not without challenges. The School does not receive any funds from taxes. The primary source of funding is the State foundation program. An economic slowdown in the State could result in budgetary cuts to education, which would have a negative impact on the School.

**Current Financial Related Activities**

The School is sponsored by St. Aloysius. The School is reliant upon State foundation monies and Federal Sub-Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and Federal funds that are made available to finance its operations.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Lamb, Treasurer, Charter School Specialists, 3650 Klepinger Road, Dayton, Ohio 45416-1919.

BASIC  
FINANCIAL STATEMENTS



**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2021

**Assets:**

Current assets:	
Cash	\$ 415,592
Restricted cash and cash equivalents held by trustee	2,091,487
Receivables:	
Accounts	13,617
Intergovernmental	297,345
Total current assets	2,818,041
Non-current assets:	
Net OPEB asset	212,766
Capital assets, not being depreciated	712,333
Capital assets, being depreciated	8,053,503
Capital assets, net	8,765,836
Total non-current assets	8,978,602
Total assets	11,796,643

**Deferred outflows of resources:**

Pension	834,390
OPEB	313,440
Total deferred outflows of resources	1,147,830

**Liabilities:**

Current liabilities:	
Accounts payable	606,239
Intergovernmental payable	13,617
Total current liabilities	619,856
Long-term liabilities:	
Due in more than one year:	
Net pension liability	4,451,779
Net OPEB liability	518,630
Other amounts	11,368,152
Total long-term liabilities	16,338,561
Total liabilities	16,958,417

**Deferred inflows of resources:**

Pension	412,663
OPEB	560,177
Total deferred inflows of resources	972,840

**Net position:**

Net investment in capital assets	(609,062)
Restricted for:	
Debt service	98,104
Capital projects	129
Unrestricted (deficit)	(4,475,955)
Total net position (deficit)	\$ (4,986,784)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<b>Operating revenues:</b>	
State foundation	\$ 5,137,714
Total operating revenues	<u>5,137,714</u>
<b>Operating expenses:</b>	
Purchased services:	
Management fees	6,300,696
Sponsorship fees	150,056
Legal fees	36,895
Professional services	24,909
Lease payments	665,187
Other	9,872
Depreciation	101,943
Total operating expenses	<u>7,289,558</u>
Operating loss	<u>(2,151,844)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and State grants	2,213,585
Interest earnings	137
Interest expense	(241,121)
Note issuance costs	(478,460)
Total non-operating revenues (expenses)	<u>1,494,141</u>
Change in net position	(657,703)
<b>Net position (deficit) at beginning of year</b>	<u>(4,329,081)</u>
<b>Net position (deficit) at end of year</b>	<u>\$ (4,986,784)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<b>Cash flows from operating activities:</b>	
Cash received from State foundation	\$ 5,089,917
Cash payments for management fees	(5,713,965)
Cash payments for sponsorship fees	(148,622)
Cash payments for legal fees	(38,945)
Cash payments for professional services	(24,909)
Cash payments for leases	(665,187)
Cash payments for other expenses	(9,872)
Net cash used in operating activities	<u>(1,511,583)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from Federal and State grants	2,117,558
Net cash provided by noncapital financing activities	<u>2,117,558</u>
<b>Cash flows from capital and related financing activities:</b>	
Note issuance	12,215,000
Discount on note issuance	(855,050)
Note issuance costs	(478,460)
Interest expense	(232,919)
Acquisition of capital assets	(8,867,779)
Net cash provided by capital and related financing activities	<u>1,780,792</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>137</u>
Net increase in cash	2,386,904
<b>Cash and cash equivalents at beginning of year</b>	<u>120,175</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,507,079</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (2,151,844)
Adjustments:	
Depreciation	101,943
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Decrease in accounts receivable	11,644
(Increase) in intergovernmental receivable	(54,543)
(Increase) in net OPEB asset	(6,180)
Decrease in deferred outflows - pensions	15,473
(Increase) in deferred outflows - OPEB	(98,331)
Increase in accounts payable	336,879
(Decrease) in intergovernmental payable	(11,644)
Increase in net pension liability	496,787
Increase in net OPEB liability	5,409
(Decrease) in deferred inflows - pensions	(278,625)
Increase in deferred inflows - OPEB	121,449
Net cash used in operating activities	<u>\$ (1,511,583)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Klepinger Community School (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing students in grades K-8 with a safe and secure learning community that will equip children to achieve academic excellence and personal growth. The focus is on students residing in the Dayton City 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 was approved under contract with St. Aloysius (the “Sponsor”) for its establishment commencing on April 10, 2008 and ending on June 30, 2010, with subsequent renewals. On June 19, 2015, the contract was renewed for automatic one-year terms effective July 1, 2015 through June 30, 2020. On June 19, 2020, the contract was renewed for a term of six years commencing on July 1, 2020 and ending on June 30, 2026. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

Effective January 1, 2018, Klepinger Community School merged with Imagine Woodbury Academy. The financial reporting entity of the government merger is Klepinger Community School.

The School operates under the direction of a Governing Board which must contain at least five Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the School. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Board controls the School’s instructional/support facility staffed by employees of the management company who provide services to 574 students.

**The Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School. For the School, this includes general operations, food service, and student related activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization’s Governing Board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization’s resources; or (3) the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. The School is reporting a blended component unit within its financial statements.

*Blended Component Unit* - Klepinger School Properties LLC (“Klepinger LLC”) is considered a blended component unit of the School by virtue of meeting the criteria noted above. Klepinger LLC was formed by the School as a wholly-owned and controlled subsidiary. Klepinger LLC was formed to acquire, hold, invest in, and lease real property for School operations. The School is obligated for the debt of the Klepinger LLC.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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 a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

**B. Measurement Focus**

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets plus deferred outflow of resources and all liabilities plus deferred inflow of resources associated with the operation of the School 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 total net position. The statement of cash flows reflects how the School finances meet its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, see Notes 8 and 9 for deferred outflows of resources related to the School's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the School's net pension liability and net OPEB liability/asset, see Notes 8 and 9, respectively, for detail.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**E. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the 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 prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Each year, the School Governing Board, with the assistance of the School's designated fiscal officer, is required to adopt an annual budget by the thirty-first day of October using the format and following the guidelines prescribed by the Ohio Department of Education (ODE).

**F. Cash and Investments and Restricted Cash and Cash Equivalents**

Cash received by the School is reflected as "cash" on the statement of net position. The School maintains two investment accounts which are held in trust in accordance with the promissory note agreement described in Note 7 and are presented as "restricted cash and cash equivalents held by trustee" on the statement of net position.

During fiscal year 2021, investments were limited to U.S. Government money markets, which are reported at fair value.

For purposes of the statement of cash flows, investments with original maturities of three months or less at the time they are purchased by the School are considered to be "cash and cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments". The cash activity related to the cash and cash equivalents held by trustee is reported in the School's statement of cash flows.

An analysis of the School's investments at fiscal year-end is provided in Note 4.

**G. Capital Assets**

All capital assets are capitalized at cost or estimated historical cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School has established a capitalization threshold of \$5,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 years
Computers	3 years
Software	3 years

**KLEPINGER COMMUNITY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**H. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**I. Operating Revenues and Expenses**

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

**J. Intergovernmental Revenues**

The School currently participates in the State Foundation, Opportunity Grant, Special Education, Targeted Assistance, K-3 Literacy, English Learners, Transportation, Facilities and Economic Disadvantaged Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2021 school year totaled \$5,137,714.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. Federal and State grant revenue received during fiscal year 2021 was \$2,213,585.

**K. Accrued Liabilities and Long-Term Obligations**

All payables and other accrued liabilities are reported on the statement of net position. Accrued liabilities include accounts payable (e.g. amounts due to Imagine Schools Inc. as further described in Note 11.B. and legal and professional fees) and intergovernmental payables (e.g. amounts due to the retirement systems). Long-term obligations are detailed in Note 7 and include notes payable, net pension liability and net OPEB liability. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

**L. Note Issuance Costs and Unamortized Discounts**

In the financial statements, note issuance costs are recognized in the current period and are not amortized. Note discounts are amortized over the term of the notes using the straight-line method, which approximates the effective interest method. Unamortized note discounts are presented as a decrease of the face amount of the note payable (see Note 7).

**KLEPINGER COMMUNITY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

**N. Estimates**

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

**O. Fair Market Value**

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2021, the School has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of School deposits and the bank balance was \$415,592. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$165,592 was exposed to custodial credit risk. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.



**KLEPINGER COMMUNITY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2021, the School had the following investment and maturity:

Measurement/ <u>Investment type</u> <i>Fair value</i>	<u>Measurement</u> <u>Value</u>	<u>Investment</u> <u>Maturity of</u> <u>6 months or less</u>
U.S. Government money markets	\$ <u>2,091,487</u>	\$ <u>2,091,487</u>

The School's investments in U.S. Government money market funds are valued using quoted market prices in active markets (Level 1 inputs).

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The U.S. Government money market funds were not rated. The School's investment policy does not specifically address credit risk beyond requiring the School to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The School places no limit on the amount that may be invested in any one issuer. The School had \$2,091,487 in investments in U.S. Government money markets at June 30, 2021.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2021, consisted of intergovernmental receivables (e.g. grants and entitlements and amounts due from the retirement systems and ODE) and accounts receivable from Imagine Schools, Inc. All receivables are considered collectible in full.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for fiscal year 2021 was as follows:

	Balance <u>07/01/20</u>	Additions	Disposals	Balance <u>06/30/21</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ -	\$ 669,533	\$ -	\$ 669,533
Construction in progress	<u>-</u>	<u>42,800</u>	<u>-</u>	<u>42,800</u>
Total capital assets, not being depreciated	<u>-</u>	<u>712,333</u>	<u>-</u>	<u>712,333</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	<u>-</u>	<u>8,155,446</u>	<u>-</u>	<u>8,155,446</u>
Total capital assets, being depreciated	<u>-</u>	<u>8,155,446</u>	<u>-</u>	<u>8,155,446</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	<u>-</u>	<u>(101,943)</u>	<u>-</u>	<u>(101,943)</u>
Total accumulated depreciation	<u>-</u>	<u>(101,943)</u>	<u>-</u>	<u>(101,943)</u>
Total capital assets, being depreciated	<u>-</u>	<u>8,053,503</u>	<u>-</u>	<u>8,053,503</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 8,765,836</u>	<u>\$ -</u>	<u>\$ 8,765,836</u>

**NOTE 7 - LONG-TERM LIABILITIES**

The following changes occurred in the long-term obligations during fiscal year 2021:

	Balance <u>07/01/20</u>	Additions	Reductions	Balance <u>06/30/21</u>	Amounts Due in <u>One Year</u>
Series 2021 promissory note - <i>(direct financing)</i>					
Dayton-Montgomery County Port Authority lease revenue bonds (Klepinger Community School), series 2021					
	\$ -	\$ 12,215,000	\$ -	\$ 12,215,000	\$ -
Discount	<u>-</u>	<u>(855,050)</u>	<u>8,202</u>	<u>(846,848)</u>	<u>-</u>
Series 2021 promissory note, net	<u>-</u>	<u>11,359,950</u>	<u>8,202</u>	<u>11,368,152</u>	<u>-</u>
Net pension liability:					
STRS	2,758,369	170,891	-	2,929,260	-
SERS	<u>1,196,623</u>	<u>325,896</u>	<u>-</u>	<u>1,522,519</u>	<u>-</u>
Total net pension liability	<u>3,954,992</u>	<u>496,787</u>	<u>-</u>	<u>4,451,779</u>	<u>-</u>
Net OPEB liability:					
SERS	<u>513,221</u>	<u>5,409</u>	<u>-</u>	<u>518,630</u>	<u>-</u>
Total long-term obligations	<u>\$ 4,468,213</u>	<u>\$ 11,862,146</u>	<u>\$ 8,202</u>	<u>\$ 16,338,561</u>	<u>\$ -</u>

**KLEPINGER COMMUNITY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 7 - LONG-TERM LIABILITIES - (Continued)**

Series 2021 Promissory Note - On March 4, 2021, a \$12,215,000 promissory note was issued to evidence the loan agreement dated March 1, 2021 between the Klepinger LLC and the Dayton-Montgomery County Port Authority (“Authority”). Klepinger LLC entered into a loan agreement with the Authority to borrow \$12,215,000 in proceeds from the issuance of the Authority’s Lease Revenue Bonds (Klepinger Community School), Series 2021. Payments of principal and interest on this note shall be due no later than the first day of each month (each a “lease payment” date), commencing on April 1, 2021, in the amounts set forth in the Lease Agreement as of March 1, 2021, between the Klepinger LLC and the School. UMB Bank (“Trustee”) has been designated as the paying agent, registrar and trustee. Payments of both principal and interest are to be irrevocably assigned by the Authority to the Trustee pursuant to the indenture. At June 30, 2021, \$98,104 was held in trust for debt service payments.

\$8,824,979 of the note proceeds were used to finance the purchase of land and school facilities and \$2,036,054 was placed in trust for future capital improvements. At June 30, 2021, \$1,993,254 of the note proceeds were unspent.

The promissory note is considered a direct financing. Direct financings have terms negotiated directly between the borrower and the lender and are not offered for public sale. In the event Klepinger LLC fails to make any payments required in this note, such payment so in default shall continue as an obligation of Klepinger LLC until the amount in default shall have been fully paid, and Klepinger LLC agrees to pay the same with interest thereon at the rate of interest specified in the loan agreement (to the extent legally forceable) until paid. Klepinger LLC shall have the option to prepay the unpaid balance in whole or in part in accordance with the loan agreement. Upon default, at the option of the holder, the entire indebtedness evidenced shall become due, payable and collectible then and thereafter as the holder may elect, regardless of the date of maturity hereof. Prior to the exercise of such option, the Trustee shall give written notice thereof to Klepinger LLC. Until the note is terminated and paid in full, Klepinger LLC (1) will not suspend or discontinue any payments under the loan agreement or neglect to perform any of its duties required thereunder, (2) will perform and observe all of its obligations as set forth in the loan agreement, mortgage and this note, and (3) except as provided in the loan agreement, will not terminate the loan agreement, mortgage or this note for any cause.

The following is the base lease payment schedule for the series 2021 promissory note:

Year Ended	2021 Promissory Note		
	Principal	Interest	Total
2022	\$ -	\$ 830,205	\$ 830,205
2023	-	830,205	830,205
2024	105,000	830,205	935,205
2025	115,000	821,563	936,563
2026	120,000	812,167	932,167
2027 - 2031	750,000	3,917,376	4,667,376
2032 - 2036	1,040,000	3,626,943	4,666,943
2037 - 2041	1,445,000	3,224,982	4,669,982
2042 - 2046	2,005,000	2,665,029	4,670,029
2047 - 2051	2,780,000	1,889,391	4,669,391
2052 - 2056	3,855,000	814,986	4,669,986
Total	<u>\$ 12,215,000</u>	<u>\$ 20,263,052</u>	<u>\$ 32,478,052</u>

Net Pension Liability: See Note 8 for information on the School’s net pension liability.

Net OPEB Liability: See Note 9 for information on the School’s net OPEB liability.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

The School has contracted with Imagine Schools, Inc. (see Note 11.B) to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

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

***Net Pension Liability/Net OPEB Liability/Asset***

Pensions and OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

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

Plan Description - The School 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](http://www.ohsers.org) under Employers/Audit Resources.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The School's contractually required contribution to SERS was \$94,080 for fiscal year 2021.

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

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

The School's contractually required contribution to STRS was \$191,602 for fiscal year 2021.

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

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

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.01999980%	0.01247318%	
Proportion of the net pension liability current measurement date	<u>0.02301890%</u>	<u>0.01210616%</u>	
Change in proportionate share	<u>0.00301910%</u>	<u>-0.00036702%</u>	
Proportionate share of the net pension liability	\$ 1,522,519	\$ 2,929,260	\$ 4,451,779
Pension expense	\$ 318,601	\$ 200,716	\$ 519,317

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 2,957	\$ 6,575	\$ 9,532
Net difference between projected and actual earnings on pension plan investments	96,649	142,452	239,101
Changes of assumptions	-	157,243	157,243
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	100,551	42,281	142,832
Contributions subsequent to the measurement date	<u>94,080</u>	<u>191,602</u>	<u>285,682</u>
Total deferred outflows of resources	<u>\$ 294,237</u>	<u>\$ 540,153</u>	<u>\$ 834,390</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 18,729	\$ 18,729
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>2,970</u>	<u>390,964</u>	<u>393,934</u>
Total deferred inflows of resources	<u>\$ 2,970</u>	<u>\$ 409,693</u>	<u>\$ 412,663</u>

\$285,682 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ 60,166	\$ 2,384	\$ 62,550
2023	66,477	(90,139)	(23,662)
2024	40,283	(21,649)	18,634
2025	30,261	48,262	78,523
Total	\$ 197,187	\$ (61,142)	\$ 136,045

***Actuarial Assumptions - SERS***

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

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

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investment expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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



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**NOTE 8 - 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net pension liability	\$ 2,085,664	\$ 1,522,519	\$ 1,050,028

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

	July 1, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net pension liability	\$ 4,170,756	\$ 2,929,260	\$ 1,877,195

**NOTE 9 - DEFINED BENEFIT OPEB PLANS**

The School has contracted with Imagine Schools, Inc. (see Note 11.B) to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting OPEB contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below.

**Net OPEB Liability/Asset**

See Note 8 for a description of the net OPEB liability (asset).

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

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

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**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School's surcharge obligation was \$13,616.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was \$13,616 for fiscal year 2021 and is reported as intergovernmental payable.

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

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability/asset was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.02040810%	0.01247318%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02386340%</u>	<u>0.01210616%</u>	
Change in proportionate share	<u>0.00345530%</u>	<u>-0.00036702%</u>	
Proportionate share of the net OPEB liability	\$ 518,630	\$ -	\$ 518,630
Proportionate share of the net OPEB asset	\$ -	\$ (212,766)	\$ (212,766)
OPEB expense	\$ 50,188	\$ (14,225)	\$ 35,963

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 6,810	\$ 13,635	\$ 20,445
Net difference between projected and actual earnings on OPEB plan investments	5,844	7,458	13,302
Changes of assumptions	88,409	3,513	91,922
Difference between employer contributions and proportionate share of contributions/change in proportionate share	157,495	16,660	174,155
Contributions subsequent to the measurement date	<u>13,616</u>	<u>-</u>	<u>13,616</u>
Total deferred outflows of resources	<u>\$ 272,174</u>	<u>\$ 41,266</u>	<u>\$ 313,440</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 263,759	\$ 42,380	\$ 306,139
Changes of assumptions	13,062	202,095	215,157
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>8,055</u>	<u>30,826</u>	<u>38,881</u>
Total deferred inflows of resources	<u>\$ 284,876</u>	<u>\$ 275,301</u>	<u>\$ 560,177</u>

\$13,616 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

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**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (335)	\$ (56,514)	\$ (56,849)
2023	86	(51,466)	(51,380)
2024	18	(49,695)	(49,677)
2025	(12,173)	(54,153)	(66,326)
2026	(12,133)	(11,842)	(23,975)
Thereafter	(1,781)	(10,365)	(12,146)
Total	\$ (26,318)	\$ (234,035)	\$ (260,353)

***Actuarial Assumptions - SERS***

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net OPEB liability	\$ 634,790	\$ 518,630	\$ 426,283
	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB liability	\$ 408,381	\$ 518,630	\$ 666,060



**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality 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. For disabled retirees, 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.

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.

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2019.

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
School's proportionate share of the net OPEB asset	\$ 185,120	\$ 212,766	\$ 236,222

  

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB asset	\$ 234,766	\$ 212,766	\$ 185,966

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 10 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School maintained the following coverage: general liability, automobile liability, excess/umbrella liability, and property liability through Philadelphia Indemnity Insurance Co.; and workers compensation and employers' liability through MEMIC Indemnity Company.

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Medical expenses	10,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	3,000,000
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
Retention	10,000
Property liability:	
Blanket building limit	153,236,369
Blanket personal property limit	20,408,647
Deductible	5,000
Blanket business income with extra expense limit	72,863,400
Workers compensation and employers' liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000

Settled claims have not exceeded commercial coverage in the past three years. There was a reduction in excess/umbrella liability coverage from the prior year.

**NOTE 11 - CONTRACTS**

**A. Sponsor Contract**

The School entered into a sponsorship contract commencing on April 10, 2008 and ending on June 30, 2010 with St. Aloysius (the "Sponsor") for its establishment, with subsequent renewals of the contract. On June 19, 2015, the contract was renewed for automatic one-year terms effective July 1, 2015 through June 30, 2020. On June 19, 2020, the contract was renewed for a term of six years commencing on July 1, 2020 and ending on June 30, 2026.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 11 - CONTRACTS - (Continued)**

The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the School's compliance with the laws applicable to the School and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the School on at least an annual basis; Provide reasonable technical assistance to the School in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the School);
- Take steps to intervene in the School's operation to correct problems in the School's overall performance, declare the School to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the School pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the School experiences financial difficulties or losses before the end of the school year; and
- Abide by the requirements of its contract with ODE, even should those requirements affect the School.

The School paid the Sponsor \$150,056 for purchased services during fiscal year 2021. Accounts payable to the Sponsor in the amount of \$1,587 has been reported to reimburse the Sponsor for amounts due from ODE at June 30, 2021, in accordance with the sponsorship contract.

**B. Management Contract**

The School entered into a management contract with Imagine Schools, Inc. for management consulting services. Imagine Schools, Inc. is required to provide the following services:

- Personnel & human resources administration
- Program of instruction
- Purchasing & contracts
- Budgeting, financial reporting and audit preparation
- Compliance issues
- Curriculum research and development
- Marketing and publicity
- Equipment and facilities
- Grant preparation and management

For the services listed above, the School is required to pay a fee to Imagine Schools, Inc. The fee for fiscal year 2021 was equal to approximately 78 percent of the total per pupil allowance received from the State of Ohio and 100 percent of State and/or Federal grant funds received by the School for the creation and operation of its school. Payments to Imagine Schools, Inc. amounted to \$6,300,696 during fiscal year 2021.

At June 30, 2021, the School reported accounts payable to Imagine Schools, Inc. in the amount of \$600,194. This payable consists of intergovernmental receivables (grants, amounts due from ODE, and amounts from STRS for the fiscal year-end true-up) to be transferred to Imagine Schools, Inc. to cover expenses incurred by Imagine Schools, Inc. on the School's behalf, in accordance with the operating contract.

At June 30, 2021, the School reported accounts receivable in the amount of \$13,617 from Imagine Schools, Inc. to cover the intergovernmental payables to SERS for the surcharge and fiscal year-end true-up liabilities, in accordance with the operating contract.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 11 - CONTRACTS - (Continued)**

**C. Service Contract**

The School entered into a service contract for a period of twelve months, commencing on July 1, 2020 and ending on June 30, 2021, with Charter School Specialists, LLC (CSS), to provide fiscal services. The School paid CSS \$21,770 during fiscal year 2021 for these services.

**NOTE 12 - OPERATING LEASES**

The School entered into a sublease agreement dated November 17, 2008, with Schoolhouse Finance, LLC to lease classroom space for the School. The term of the sublease commenced October 1, 2008, and shall continue through June 30, 2023. Thereafter the sublease shall automatically extend for two additional five- year terms, unless written notice of intent not to extend is delivered by either party at least one-hundred-eighty days prior to the end of the then current lease term. The School shall pay to Schoolhouse Finance, LLC \$696,960 in annual base rent payable in advance in monthly installments of one-twelfth each on the fifteenth day of each month of the term. The base rent shall escalate annually on July 1 at a rate equal to the greater of the increase in the overall Consumer Price Index All-Urban Consumers, all items less food and energy, and three percent. On March 12, 2009, an amendment was made to the sublease that lowered the annual base rent payable to \$642,721.

The School entered into an amended and restated lease agreement on July 1, 2017, to amend and restate the original sublease agreement dated November 17, 2008. The amended and restated sublease is effective September 1, 2017 through June 30, 2027. The sublease shall automatically extend for one additional ten-year period. The annual base rent is payable in twelve equal monthly installments per sublease year, and shall increase annually based on the base rent escalation date as per the lease agreement. Annual base rent for the first sublease year is \$838,606. Commencing on July 1, 2018, and on the first day of July of each sublease year thereafter during the sublease term, including renewals (if any), base rent shall increase by 0.98%.

The School entered into a lease agreement effective January 1, 2017, with Schoolhouse Finance, LLC to lease classroom space for the School at the Woodbury campus. The term of the lease commenced January 1, 2017 and shall continue through June 30, 2027. The School shall pay to Schoolhouse Finance, LLC \$10,555 in monthly base rent payable in advance in monthly installments due on the fifteenth day of each month of the term. The base rent shall increase each lease year by the percentage increase in Consumer Price Index All-Urban Consumers, U.S. City Average-All Items, as published by the Bureau of Labor and Statistics for the twelve month period ending on June 30 prior to the end of the immediately preceding lease year; provided that in no even shall the increase for each lease year be less than 0.5% or greater than 4% per year. The lease was a net lease and the School also paid to SHF additional rent for real property tax and assessments, personal property taxes, insurance premiums, and sales tax.

The School made \$665,187 in total payments to Schoolhouse Finance, LLC during fiscal year 2021. The School's lease agreements with Schoolhouse Finance, LLC were terminated upon the purchase of the leased facilities on March 4, 2021.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - MANAGEMENT COMPANY EXPENSES**

For the fiscal year ended June 30, 2021, Imagine Schools, Inc. and its affiliates incurred the following expenses (reported on cash-basis) on behalf of the School:

Direct Expenses:

Salaries and wages	
Instruction	\$ 1,445,677
Support services	99,022
Administrative services	262,357
Fiscal/business services	62,000
Operations and maintenance	29,125
Employees' benefits	
Instruction	729,737
Support services	25,105
Administrative services	71,156
Fiscal/business services	1,366
Operations and maintenance	7,353
Purchased services	
Instruction	668,243
Support services	8,917
Administrative services	245,095
Fiscal/business services	5,556
Operations and maintenance	296,049
Pupil transportation	433,110
Support/food services	172,762
Family/community activities	11,900
Facilities/construction services	392,778
Supplies and materials	
Instruction	24,521
Support services	
Administrative services	12,591
Operations and maintenance	133,045
Other direct costs	
Instruction	387,046
Administrative services	414,062
Fiscal/business services	<u>5,542</u>
Total expenses	<u>\$ 5,944,115</u>

**NOTE 14 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2021.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - CONTINGENCIES - (Continued)**

**C. 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 15 - FEDERAL TAX STATUS**

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on May 11, 2010. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

**Miami Valley Educational Computer Association**

The School is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, Highland, and Madison Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia, and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. The governing board of MVECA consists of three Superintendents and three Treasurers of member school districts, with three of the four Superintendents and all three Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fourth Superintendent is from the Greene County Career Center. Imagine Schools, Inc., on behalf of the School, paid MVECA for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**NOTE 17 - MANAGEMENT PLAN**

The School had a decrease of \$657,703 in net position during fiscal year 2021 and deficit net position of \$4,986,784 at June 30, 2021. The deficit net position is primarily due to the notes payable liability of \$11,368,152, net pension liability of \$4,451,779, net OPEB liability of \$518,630, deferred outflows of resources and deferred inflows of resources related to the net pension liability and net OPEB liability of \$1,147,830 and \$972,840, respectively, at June 30, 2021. The net pension liability, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are required to be reported in accordance with GASB Statements No. 68 and 71, as described in Note 8 and GASB Statement No. 75, as described in Note 9. Management intends to continue to increase School enrollment and improve operating efficiencies.

**NOTE 18 - RELATED PARTY TRANSACTIONS**

Imagine Schools, Inc. and Schoolhouse Finance, LLC are both subsidiaries of Imagine Schools Non-Profit, Inc.

**NOTE 19 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. The School's investment portfolio and the pension and other employee benefits plan in which the School participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the School's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 20 - FISCAL DISTRESS**

The School has a deficit net position at June 30, 2021, of (\$404,131), excluding the effects of GASB Statement Statements No. 68 and 75. Overcoming this deficit may be difficult without significant increases in student enrollment and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

**NOTE 21 - SUBSEQUENT EVENT**

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



REQUIRED SUPPLEMENTARY INFORMATION

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net pension liability	0.02301890%	0.01999980%	0.02069960%	0.01580370%
School's proportionate share of the net pension liability	\$ 1,522,519	\$ 1,196,623	\$ 1,185,504	\$ 944,236
School's covered payroll	\$ 704,029	\$ 858,733	\$ 653,364	\$ 519,707
School's proportionate share of the net pension liability as a percentage of its covered payroll	216.26%	139.35%	181.45%	181.69%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

\* Amounts were restated in fiscal year 2018 to reflect the merger between Klepinger Community School and Imagine Woodbury Academy.

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2017*</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.01341810%	0.00814260%	0.00868300%	0.00868300%
\$ 982,082	\$ 464,625	\$ 439,442	\$ 516,350
\$ 416,714	\$ 245,137	\$ 252,323	\$ 184,805
235.67%	189.54%	174.16%	279.40%
62.98%	69.16%	71.70%	65.52%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net pension liability	0.01210616%	0.01247318%	0.01460517%	0.01545030%
School's proportionate share of the net pension liability	\$ 2,929,260	\$ 2,758,369	\$ 3,211,349	\$ 3,670,252
School's covered payroll	\$ 1,461,021	\$ 1,355,707	\$ 1,615,771	\$ 1,698,571
School's proportionate share of the net pension liability as a percentage of its covered payroll	200.49%	203.46%	198.75%	216.08%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

\* Amounts were restated in fiscal year 2018 to reflect the merger between Klepinger Community School and Imagine Woodbury Academy.

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2017*</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.01472343%	0.01126371%	0.01229007%	0.01229007%
\$ 4,928,376	\$ 3,112,960	\$ 2,989,370	\$ 3,560,918
\$ 1,549,186	\$ 1,162,464	\$ 1,255,708	\$ 1,221,469
318.13%	267.79%	238.06%	291.53%
66.80%	72.10%	74.70%	69.30%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 94,080	\$ 98,564	\$ 115,929	\$ 91,471
Contributions in relation to the contractually required contribution	<u>(94,080)</u>	<u>(98,564)</u>	<u>(115,929)</u>	<u>(91,471)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 672,000	\$ 704,029	\$ 858,733	\$ 653,364
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	14.00%

\* Amounts were restated in fiscal year 2018 to reflect the merger between Klepinger Community School and Imagine Woodbury Academy.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017*</u>	<u>2016*</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 72,759	\$ 58,340	\$ 32,309	\$ 34,972	\$ 25,577	\$ 17,674
<u>(72,759)</u>	<u>(58,340)</u>	<u>(32,309)</u>	<u>(34,972)</u>	<u>(25,577)</u>	<u>(17,674)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 519,707	\$ 416,714	\$ 245,137	\$ 252,323	\$ 184,805	\$ 131,405
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 191,602	\$ 204,543	\$ 189,799	\$ 226,208
Contributions in relation to the contractually required contribution	<u>(191,602)</u>	<u>(204,543)</u>	<u>(189,799)</u>	<u>(226,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,368,586	\$ 1,461,021	\$ 1,355,707	\$ 1,615,771
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

\* Amounts were restated in fiscal year 2018 to reflect the merger between Klepinger Community School and Imagine Woodbury Academy.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017*</u>	<u>2016*</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 237,800	\$ 216,886	\$ 162,745	\$ 163,242	\$ 158,791	\$ 131,631
<u>(237,800)</u>	<u>(216,886)</u>	<u>(162,745)</u>	<u>(163,242)</u>	<u>(158,791)</u>	<u>(131,631)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,698,571	\$ 1,549,186	\$ 1,162,464	\$ 1,255,708	\$ 1,221,469	\$ 1,012,546
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net OPEB liability	0.02386340%	0.02040810%	0.02078590%	0.01586110%
School's proportionate share of the net OPEB liability	\$ 518,630	\$ 513,221	\$ 576,657	\$ 425,670
School's covered payroll	\$ 704,029	\$ 858,733	\$ 653,364	\$ 519,707
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.67%	59.76%	88.26%	81.91%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**2017**

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0.01351150%

\$ 385,128

\$ 416,714

92.42%

11.49%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net OPEB liability/asset	0.01210616%	0.01247318%	0.01460517%	0.01545030%
School's proportionate share of the net OPEB liability/(asset)	\$ (212,766)	\$ (206,586)	\$ (234,690)	\$ 602,813
School's covered payroll	\$ 1,461,021	\$ 1,355,707	\$ 1,615,771	\$ 1,698,571
School's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.56%	15.24%	14.52%	35.49%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**2017**

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0.01472343%

\$ 787,413

\$ 1,549,186

50.83%

37.33%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 13,616	\$ 15,220	\$ 16,339	\$ 14,287
Contributions in relation to the contractually required contribution	<u>(13,616)</u>	<u>(15,220)</u>	<u>(16,339)</u>	<u>(14,287)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 672,000	\$ 704,029	\$ 858,733	\$ 653,364
Contributions as a percentage of covered payroll	2.03%	2.16%	1.90%	2.19%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 7,830	\$ 6,437	\$ 6,491	\$ 279	\$ 296	\$ 723
<u>(7,830)</u>	<u>(6,437)</u>	<u>(6,491)</u>	<u>(279)</u>	<u>(296)</u>	<u>(723)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 519,707	\$ 416,714	\$ 245,137	\$ 252,323	\$ 184,805	\$ 131,405
1.51%	1.54%	2.65%	0.11%	0.16%	0.55%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,368,586	\$ 1,461,021	\$ 1,355,707	\$ 1,615,771
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 13,380	\$ 12,215	\$ 10,125
-	-	-	(13,380)	(12,215)	(10,125)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,698,571	\$ 1,549,186	\$ 1,162,464	\$ 1,255,708	\$ 1,221,469	\$ 1,012,546
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2021.

(Continued)

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

(Continued)

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

OTHER SUPPLEMENTARY  
INFORMATION

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2021

	<b>Klepinger Community School</b>	<b>Klepinger School Properties LLC</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash	\$ 415,592	\$ -	\$ 415,592
Restricted cash and cash equivalents held by trustee	-	2,091,487	2,091,487
Receivables:			
Accounts	13,617	-	13,617
Intergovernmental	297,345	-	297,345
Total current assets	<u>726,554</u>	<u>2,091,487</u>	<u>2,818,041</u>
Non-current assets:			
Net OPEB asset	212,766	-	212,766
Capital assets, not being depreciated	-	712,333	712,333
Capital assets, being depreciated	-	8,053,503	8,053,503
Capital assets, net	<u>-</u>	<u>8,765,836</u>	<u>8,765,836</u>
Total non-current assets	<u>212,766</u>	<u>8,765,836</u>	<u>8,978,602</u>
Total assets	<u>939,320</u>	<u>10,857,323</u>	<u>11,796,643</u>
<b>Deferred outflows of resources:</b>			
Pension	834,390	-	834,390
OPEB	313,440	-	313,440
Total deferred outflows of resources	<u>1,147,830</u>	<u>-</u>	<u>1,147,830</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	606,239	-	606,239
Intergovernmental payable	13,617	-	13,617
Total current liabilities	<u>619,856</u>	<u>-</u>	<u>619,856</u>
Long-term liabilities:			
Due in more than one year:			
Net pension liability	4,451,779	-	4,451,779
Net OPEB liability	518,630	-	518,630
Other amounts	-	11,368,152	11,368,152
Total long-term liabilities	<u>4,970,409</u>	<u>11,368,152</u>	<u>16,338,561</u>
Total liabilities	<u>5,590,265</u>	<u>11,368,152</u>	<u>16,958,417</u>
<b>Deferred inflows of resources:</b>			
Pension	412,663	-	412,663
OPEB	560,177	-	560,177
Total deferred inflows of resources	<u>972,840</u>	<u>-</u>	<u>972,840</u>
<b>Net position:</b>			
Net investment in capital assets	-	(609,062)	(609,062)
Restricted for:			
Debt service	-	98,104	98,104
Capital projects	-	129	129
Unrestricted (deficit)	<u>(4,475,955)</u>	<u>-</u>	<u>(4,475,955)</u>
Total net position (deficit)	<u>\$ (4,475,955)</u>	<u>\$ (510,829)</u>	<u>\$ (4,986,784)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Klepinger Community School</b>	<b>Klepinger School Properties LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Operating revenues:</b>				
State foundation	\$ 5,137,714			\$ 5,137,714
Lease revenue	-	310,558	(310,558)	-
Other operating revenues	36,920	-	(36,920)	-
Total operating revenues	<u>5,174,634</u>	<u>310,558</u>	<u>(347,478)</u>	<u>5,137,714</u>
<b>Operating expenses:</b>				
Purchased services:				
Management fees	6,300,696	-	-	6,300,696
Sponsorship fees	150,056	-	-	150,056
Legal fees	66,115	-	(29,220)	36,895
Professional services	32,609	-	(7,700)	24,909
Lease payments	975,745	-	(310,558)	665,187
Other	9,872	-	-	9,872
Depreciation	-	101,943	-	101,943
Total operating expenses	<u>7,535,093</u>	<u>101,943</u>	<u>(347,478)</u>	<u>7,289,558</u>
Operating loss	<u>(2,360,459)</u>	<u>208,615</u>	<u>-</u>	<u>(2,151,844)</u>
<b>Non-operating revenues (expenses):</b>				
Federal and State grants	2,213,585	-	-	2,213,585
Interest earnings	-	137	-	137
Interest expense	-	(241,121)	-	(241,121)
Note issuance costs	-	(478,460)	-	(478,460)
Total non-operating revenues (expenses)	<u>2,213,585</u>	<u>(719,444)</u>	<u>-</u>	<u>1,494,141</u>
Change in net position	(146,874)	(510,829)	-	(657,703)
<b>Net position (deficit) at beginning of year</b>	<u>(4,329,081)</u>	<u>-</u>	<u>-</u>	<u>(4,329,081)</u>
<b>Net position (deficit) at end of year</b>	<u>\$ (4,475,955)</u>	<u>\$ (510,829)</u>	<u>\$ -</u>	<u>\$ (4,986,784)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Klepinger Community School</b>	<b>Klepinger School Properties LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from State foundation	\$ 5,089,917	\$ -	\$ -	\$ 5,089,917
Cash received from lease revenue	-	310,558	(310,558)	-
Cash received from other operating revenues	36,920	-	(36,920)	-
Cash payments for management fees	(5,713,965)	-	-	(5,713,965)
Cash payments for sponsorship fees	(148,622)	-	-	(148,622)
Cash payments for legal fees	(68,165)	-	29,220	(38,945)
Cash payments for professional services	(32,609)	-	7,700	(24,909)
Cash payments for leases	(975,745)	-	310,558	(665,187)
Cash payments for other expenses	(9,872)	-	-	(9,872)
Net cash used in operating activities	<u>(1,822,141)</u>	<u>310,558</u>	<u>-</u>	<u>(1,511,583)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from Federal and State grants	<u>2,117,558</u>	<u>-</u>	<u>-</u>	<u>2,117,558</u>
Net cash provided by noncapital financing activities	<u>2,117,558</u>	<u>-</u>	<u>-</u>	<u>2,117,558</u>
<b>Cash flows from capital and related financing activities:</b>				
Note issuance	-	12,215,000	-	12,215,000
Discount on note issuance	-	(855,050)	-	(855,050)
Note issuance costs	-	(478,460)	-	(478,460)
Interest expense	-	(232,919)	-	(232,919)
Acquisition of capital assets	-	(8,867,779)	-	(8,867,779)
Net cash provided by capital and related financing activities	<u>-</u>	<u>1,780,792</u>	<u>-</u>	<u>1,780,792</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>-</u>	<u>137</u>	<u>-</u>	<u>137</u>
Net increase in cash	295,417	2,091,487	-	2,386,904
<b>Cash and cash equivalents at beginning of year</b>	120,175	-	-	120,175
<b>Cash and cash equivalents at end of year</b>	<u>\$ 415,592</u>	<u>\$ 2,091,487</u>	<u>\$ -</u>	<u>\$ 2,507,079</u>

- (Continued)



**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF CASH FLOWS - (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Klepinger Community School</u>	<u>Klepinger School Properties, LLC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (2,360,459)	\$ 208,615	\$ -	(2,151,844)
Adjustments:				
Depreciation	-	101,943	-	101,943
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Decrease in accounts receivable	11,644	-	-	11,644
(Increase) in intergovernmental receivable	(54,543)	-	-	(54,543)
(Increase) in net OPEB asset	(6,180)	-	-	(6,180)
Decrease in deferred outflows - pensions	15,473	-	-	15,473
(Increase) in deferred outflows - OPEB	(98,331)	-	-	(98,331)
Increase in accounts payable	336,879	-	-	336,879
(Decrease) in intergovernmental payable	(11,644)	-	-	(11,644)
Increase in net pension liability	496,787	-	-	496,787
Increase in net OPEB liability	5,409	-	-	5,409
(Decrease) in deferred inflows - pensions	(278,625)	-	-	(278,625)
Increase in deferred inflows - OPEB	121,449	-	-	121,449
Net cash used in operating activities	<u>\$ (1,822,141)</u>	<u>\$ 310,558</u>	<u>\$ -</u>	<u>\$ (1,511,583)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	Assistance Listing Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
<i>Passed through Ohio Department of Education</i>		
Child Nutrition Cluster:		
School Breakfast Program - 2021	10.553	\$ 34,636
School Breakfast Program - COVID-19 - 2021	10.553	2,708
National School Lunch Program - 2021	10.555	73,613
National School Lunch Program - COVID-19 - 2021	10.555	4,224
Total Child Nutrition Cluster		<u>115,181</u>
<b>Total U.S. Department of Agriculture</b>		<u>115,181</u>
<b><u>U.S. Department of Education</u></b>		
<i>Passed through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies - 2020	84.010	81,734
Title I Grants to Local Educational Agencies - 2021	84.010	356,772
Total ALN #84.010		<u>438,506</u>
Special Education Cluster (IDEA)		
Special Education - Grants to States - 2020	84.027	22,065
Special Education - Grants to States - 2021	84.027	108,209
Total Special Education Cluster (IDEA)		<u>130,274</u>
Improving Teacher Quality State Grants		
Improving Teacher Quality State Grants - 2020	84.367	24,308
Improving Teacher Quality State Grants - 2021	84.367	43,682
Total ALN #84.367		<u>67,990</u>
Student Support and Academic Enrichment - 2021	84.424	<u>30,403</u>
Education Stabilization Fund -		
Elementary and Secondary School Emergency Relief Fund - ESSER I - 2021	84.425D	459,445
<b>Total U.S. Department of Education</b>		<u>1,126,618</u>
<b><u>U.S. Department of the Treasury</u></b>		
<i>Passed through Ohio Department of Education</i>		
Coronavirus Relief Fund - 2021 -		
Broadband Ohio Connectivity Grant	21.019	50,300
CRF Rural and Small Town Grant	21.019	29,240
Total ALN #21.019		<u>79,540</u>
<b>Total U.S. Department of the Treasury</b>		<u>79,540</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 1,321,339</u>

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

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Klepinger Community School under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Klepinger Community School, it is not intended to and does not present the financial position, changes in net position, or cash flows of Klepinger Community School.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: INDIRECT COST RATE**

The Klepinger Community School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: CHILD NUTRITION CLUSTER**

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

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board  
Klepinger Community School  
Dayton, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Klepinger Community School, Montgomery County, Ohio, (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 12, 2022, wherein we noted the School is experiencing financial difficulties and management has a plan in regard to this matter; the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School; and the school foundation aid received from the State of Ohio will be funded through the direct funding model.

***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 may exist that have not been identified.

### ***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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

January 12, 2022

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of the Board  
Klepinger Community School  
Dayton, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

***Report on Compliance for Each Major Federal Program***

We have audited the Klepinger Community School, Montgomery County, Ohio's (the School) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the School's major federal program for the year ended June 30, 2021. The School's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Klepinger Community School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

January 12, 2022

**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
JUNE 30, 2021**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2021(i)	Type of Financial Statement Opinion	Unmodified
2021(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2021(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2021(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2021(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2021(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2021(v)	Type of Major Programs' Compliance Opinions	Unmodified
2021(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2021(vii)	Major Programs (list):  Education Stabilization Fund - ESSER I - ALN #84.425D	
2021(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2021(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**KLEPINGER COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The prior audit report, as of June 30, 2020, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**KLEPINGER COMMUNITY SCHOOL**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/17/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)