

**EDUCATIONAL ACADEMY FOR  
BOYS AND GIRLS  
FRANKLIN COUNTY**

*REGULAR AUDIT*

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021



Rea & associates

[www.reacpa.com](http://www.reacpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



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Governing Board  
Educational Academy for Boys and Girls  
35 Midland Avenue  
Columbus, Ohio 43223

We have reviewed the *Independent Auditor's Report* of the Educational Academy for Boys and Girls, Franklin County, prepared by Rea & Associates, 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. The Educational Academy for Boys and Girls 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

April 12, 2022

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**Educational Academy for Boys and Girls**  
**Franklin County, Ohio**  
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*June 30, 2021*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Educational Academy for Boys and Girls  
Franklin County, Ohio  
35 Midland Avenue  
Columbus, OH 43223

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Educational Academy for Boys and Girls, Franklin County, Ohio, (the "Academy") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy'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 entity'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 entity'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 Academy, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio  
February 25, 2022



**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

The discussion and analysis of Educational Academy for Boys and Girls (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented and is presented in the MD&A.

**Financial Highlights**

Key financial highlights for the Academy during the fiscal year ended June 30, 2021, are as follows:

- Ø Total net position increased by \$56,985.
- Ø Total assets and deferred outflows of resources decreased by \$19,397 from the prior year.
- Ø Total liabilities and deferred inflows of resources decreased by \$76,381 from the prior year.
- Ø The Academy's operating loss was \$571,649.
- Ø Net Pension and Other Post employment benefit asset and deferred outflows combined for a decrease of \$150,811 while the Net Pension and Other Post Employment Benefit liability and deferred inflows combined for a decrease of \$60,417. Both changes were the result of changes in the net pension/OPEB liabilities/asset and related accruals.

**Using this Financial Report**

This financial report contains the basic financial statements of the Academy, as well as the required supplementary information and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

**Statement of Net Position**

The statement of net position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital as well as short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Academy's net position; however, in evaluating the overall position and financial viability of the Academy, non-financial information, such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio, will also need to be evaluated.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

Table 1 provides a summary of the Academy's net position for June 30, 2021, compared to those reported for fiscal year 2020.

(Table 1)  
Net Position

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets	\$ 124,886	\$ 93,656
Non-Current Assets	193,595	92,461
<b>Total Assets</b>	<u>318,481</u>	<u>186,117</u>
<b>Deferred Outflows of Resources</b>		
Pension/OPEB	409,743	561,503
<b>Total Deferred Outflows of Resources</b>	<u>409,743</u>	<u>561,503</u>
<b>Liabilities</b>		
Current Liabilities	20,050	36,014
Long-Term Liabilities	1,629,452	1,722,745
<b>Total Liabilities</b>	<u>1,649,502</u>	<u>1,758,759</u>
<b>Deferred Inflows of Resources</b>		
Pension/OPEB	454,134	421,258
<b>Total Deferred Inflows of Resources</b>	<u>454,134</u>	<u>421,258</u>
<b>Net Position</b>		
Investment in Capital Assets	108,145	7,960
Unrestricted	(1,483,557)	(1,440,357)
<b>Total Net Position</b>	<u>\$ (1,375,412)</u>	<u>\$ (1,432,397)</u>

Current assets increased \$31,229. This increase was primarily due to the increase in cash of \$48,332, offset by a decrease in receivables of \$17,103. Current liabilities decreased by \$15,964 due to a decrease in amounts owed to Educational Solutions Co. under the management agreement as of June 30, which are described in Note 9. Changes in deferred inflows/outflows of resources and non-current asset and liabilities are a result of changes in net pension/OPEB liability/asset and related accruals.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

Table 2 shows the changes in net position for the year ended June 30, 2021, as compared to changes reported for fiscal year 2020.

(Table 2)  
Change in Net Position

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Foundation	\$ 1,254,405	\$ 1,200,699
Casino Aid	5,903	7,370
Non-Operating Revenues		
Federal and State	616,031	554,356
Other Revenue	12,603	7,861
Total Revenues	<u>1,888,942</u>	<u>1,770,286</u>
Operating Expenses		
Purchased Services	1,813,300	1,849,472
Material and Supplies	-	24,274
Depreciation	18,657	7,883
Total Expenses	<u>1,831,957</u>	<u>1,881,629</u>
Change in Net Position	56,985	(111,343)
Net Position, Beginning of Year	(1,432,397)	(1,321,054)
Net Position, End of Year	<u>\$ (1,375,412)</u>	<u>\$ (1,432,397)</u>

Foundation revenues and federal and state grants increased due to increase in enrollment and the award of the ESSER grant in fiscal year 2021. Purchased services decreased primarily due to accruals related to GASB 68 and 75.

**Capital Assets**

At June 30, 2021, the Academy has \$108,145 invested in furniture and equipment, net of accumulated depreciation. See Note 4 for further detail.

**Debt**

At June 30, 2021, the Academy had no outstanding debt.

**Currently Known Facts**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the Academy. Due to the dynamic environment and change in fiscal policies, the exact impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

The Academy is sponsored by North Central Ohio Educational Service Center (NCOESC). The term of the contract is through June 30, 2023. NCOESC will be paid three percent (3%) of the total state foundation payment received by the School.

**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of the Educational Academy for Boys and Girls and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer, Melissa C. Miavez at Educational Academy for Boys and Girls, 1500 West Third Avenue, Suite 125, Columbus, Ohio 43212.

Educational Academy for Boys and Girls  
Franklin County, Ohio  
*Statement of Net Position*  
*June 30, 2021*

Assets	
Current Assets	
Cash	\$ 107,930
Accounts Receivable	9,046
Intergovernmental Receivable	7,910
Total Current Assets	<u>124,886</u>
Non-Current Assets	
Capital Assets, Net	108,145
Net OPEB Asset	85,450
Total Non-Current Assets	<u>193,595</u>
Total Assets	<u>318,481</u>
Deferred Outflows of Resources	
Pension	353,342
OPEB	56,401
Total Deferred Outflows of Resources	<u>409,743</u>
Liabilities	
Current Liabilities	
Accounts Payable	12,140
Grants Payable	7,910
Total Current Liabilities	<u>20,050</u>
Long-Term Liabilities	
Due in More than One Year:	
Net Pension Liability	1,521,964
Net OPEB Liability	107,488
Total Long-Term Liabilities	<u>1,629,452</u>
Total Liabilities	<u>1,649,502</u>
Deferred Inflows of Resources	
Pension	199,950
OPEB	254,184
Total Deferred Inflows of Resources	<u>454,134</u>
Net Position	
Investment in Capital Assets	108,145
Unrestricted	(1,483,557)
Total Net Position	<u>\$ (1,375,412)</u>

See accompany notes to the basic financial statements.

Educational Academy for Boys and Girls  
 Franklin County, Ohio  
*Statement of Revenues  
 Expenses, and Changes in Net Position  
 For the Fiscal Year Ended June 30, 2021*

Operating Revenues	
Foundation Payments	\$ 1,254,405
Casino	5,903
Total Operating Revenues	1,260,308
Operating Expenses	
Purchased Services	1,813,300
Depreciation	18,657
Total Operating Expenses	1,831,957
Operating Loss	(571,649)
Non-Operating Revenues	
Federal Grant Revenue	469,175
State Grant Revenue	146,856
Other Revenue	12,603
Total Non-Operating Revenues	628,634
Changes in Net Position	56,985
Net Position, Beginning of Year	(1,432,397)
Net Position, End of Year	\$ (1,375,412)

See accompany notes to the basic financial statements.

Educational Academy for Boys and Girls  
Franklin County, Ohio  
*Statement of Cash Flows*  
*June 30, 2021*

Increase (Decrease) in Cash

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 1,259,908
Cash Payments to Suppliers for Goods and Services	(1,738,871)
Net Cash Used for Operating Activities	<u>(478,963)</u>

Cash Flows from Noncapital Financing Activities

Federal and State Grants	633,534
Other Revenue	12,603
Net Cash Provided by Noncapital Financing Activities	<u>646,137</u>

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Acquisitions	(118,842)
Net Cash Used for Capital and Related Financing Activities	<u>(118,842)</u>

Net Increase in Cash	48,332
Cash, Beginning of Year	59,598
Cash, End of Year	<u>\$ 107,930</u>

Reconciliation of Operating Income to Net Cash

Used for Operating Activities	
Operating Loss	\$ (571,649)

Adjustments to Reconcile Operating Loss to Net Cash

Used for Operating Activities:	
Depreciation	18,657

Changes in Assets and Liabilities, Deferred Inflow/Outflow of Resources:

(Increase) Decrease in Accounts Receivable	(400)
(Increase) Decrease in Net OPEB Asset	(949)
(Increase) Decrease in Deferred Outflows	151,760
Increase (Decrease) in Grants Payable	(15,964)
Increase (Decrease) in Deferred Inflows	32,876
Increase (Decrease) in Net Pension Liability	(29,614)
Increase (Decrease) in Net OPEB Liability	(63,679)
Total Adjustments	<u>74,030</u>
Net Cash Used for Operating Activities	<u>\$ (478,963)</u>

See accompany notes to the basic financial statements.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Educational Academy for Boys and Girls (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the St. Aloysius Orphanage during the fiscal year ended June 30, 2007, and renews annually every June 30<sup>th</sup> unless cancelled by either party with 90 days notice. On or about June 6, 2013, St. Aloysius, with the Governing Authority's consent, assigned all of its rights and duties under said community school sponsorship contract to North Central Ohio Educational Service Center (Sponsor). On behalf of the Academy, Educational Solutions Co. (ESC) entered into a contract with the Sponsor. The contract was renewed through June 30, 2023.

The School is under contract with Educational Solutions Co. for management of the operations of the School.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. 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 qualifications of teachers.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources is defined as net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**C. Budgetary Process**

Community Schools are statutorily required to adopt a budget by ORC 3314.032(c). However, unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the Academy and its Sponsor does not require the school to follow the provisions of ORC 5705; therefore no budgetary information is presented in the basic financial statements.

**D. Cash**

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds. Cash is defined as demand deposits, savings, and investments with original maturity less than 90 days.

**E. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy does not possess any infrastructure. The Academy capitalizes all capital assets, regardless of cost. Improvements are capitalized. The cost 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 are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Buildings	40 years
Furniture and Equipment	5 years
Leasehold Improvements	15 years

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

<b>2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</b>
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**F. Estimates**

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

**G. Intergovernmental Revenues**

The Academy is a participant in the State Foundation and Casino Programs. The Foundation and Casino funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation and Casino Programs totaled \$1,260,308 during fiscal year 2021. Revenues associated with grants from the state and federal governments totaled \$616,031 during fiscal year 2021.

**H. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including purchased services, materials and supplies, and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

**I. Accounts / Grants Payable**

Obligations incurred but unpaid prior to June 30, 2021, are reported as accounts and grants payable in the accompanying financial statements. Payables totaled \$20,050 at June 30, 2021.

**J. Deferred Outflow / Deferred Inflows of Resources**

In addition to assets, the statement of financial position report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension and OPEB are explained in Notes 5 and 6.

In addition to liabilities, the statement of financial position 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. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are explained in Notes 5 and 6.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

<b>2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</b>
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**K. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pension/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.

**L. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**M. Economic Dependency**

The Academy receives 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**N. Federal Tax Exemption Status**

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

**O. Changes in Accounting Principles**

For the fiscal year ended June 30, 2021, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB Statement No. 90, Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61, and certain provisions of GASB Statement No. 93, Replacement of Interbank Offered Rates.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Academy.

GASB Statement No. 90 improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

**3. DEPOSITS**

At June 30, 2021, the carrying amount of the Academy's deposits was \$107,930 and the bank balance was \$107,930. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, the Academy's bank balance was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
<b>Capital Assets</b>				
Furniture and Equipment	\$ 149,388	\$ 118,842	\$ -	\$ 268,230
Total Assets	<u>149,388</u>	<u>118,842</u>	<u>-</u>	<u>268,230</u>
<b>Less Accumulated Depreciation</b>				
Furniture and Equipment	\$ (141,428)	\$ (18,657)	\$ -	\$ (160,085)
Total Accumulated Depreciation	<u>(141,428)</u>	<u>(18,657)</u>	<u>-</u>	<u>(160,085)</u>
Total Capital Assets, Net	<u>\$ 7,960</u>	<u>\$ 100,185</u>	<u>\$ -</u>	<u>\$ 108,145</u>

**5. DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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) represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/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 this estimate annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/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 proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accounts payable*.

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

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

Plan Description – Academy non-teaching employees participate in SERS, a statewide, 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.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The Academy's contractually required contribution to SERS was \$24,780 for fiscal year 2021.

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

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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 Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through 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. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$83,703 for fiscal year 2021.

***Pension Liabilities, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00522520%	0.00486170%	
Prior Measurement Date	0.00707320%	0.00510245%	
Change in Proportionate Share	-0.00184800%	-0.00024075%	
Proportionate Share of the Net			
Pension Liability	\$ 345,606	\$ 1,176,358	\$ 1,521,964
Pension Expense	\$ (7,102)	\$ 215,453	\$ 208,351

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the Academy's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning



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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 671	\$ 2,639	\$ 3,310
Net Difference between Projected and Actual Earnings on Pension Plan Investments	21,939	57,207	79,146
Changes of Assumptions	-	63,147	63,147
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	-	99,256	99,256
Academy Contributions Subsequent to the Measurement Date	24,780	83,703	108,483
<b>Total Deferred Outflows of Resources</b>	<u>\$ 47,390</u>	<u>\$ 305,952</u>	<u>\$ 353,342</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ -	\$ 7,522	\$ 7,522
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	75,455	116,973	192,428
<b>Total Deferred Inflows of Resources</b>	<u>\$ 75,455</u>	<u>\$ 124,495</u>	<u>\$ 199,950</u>

\$108,483 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (50,549)	\$ 65,950	\$ 15,401
2023	(18,308)	(18,197)	(36,505)
2024	9,144	34,066	43,210
2025	6,868	15,935	22,803
	<u>\$ (52,845)</u>	<u>\$ 97,754</u>	<u>\$ 44,909</u>

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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. Future benefits for all current plan members were projected through 2130.

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:

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent 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.

The long-term return expectation for the investments has been determined by 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 an arithmetic 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 asset allocation and best

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	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** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Academy's Proportionate Share of the Net Pension Liability	\$ 473,438	\$ 345,606	\$ 238,352

**Actuarial Assumptions - STRS**

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

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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 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 %	

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

**Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the Academy's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy'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 percent) or one percentage point higher (8.45 percent) than the current assumption:

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**5. DEFINED BENEFIT PENSION PLANS (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	\$ 1,674,930	\$ 1,176,358	\$ 753,861

**6. DEFINED BENEFIT OPEB PLANS**

See Note 5 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was \$529, which is reported as accounts payable.

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<b>6. DEFINED BENEFIT OPEB PLANS (Continued)</b>
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***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 were 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 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy’s proportion of the net OPEB liability (asset) was based on the Academy’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00494600%	0.00486200%	
Prior Measurement Date	0.00680600%	0.00510200%	
Change in Proportionate Share	-0.00186000%	-0.00024000%	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 107,488	\$ (85,450)	
OPEB Expense	\$ (5,739)	\$ (3,206)	\$ (8,945)

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

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**6. DEFINED BENEFIT OPEB PLANS (Continued)**

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 1,412	\$ 5,476	\$ 6,888
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,213	2,996	4,209
Changes of Assumptions	18,323	1,411	19,734
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	-	25,041	25,041
Academy Contributions Subsequent to the Measurement Date	529	-	529
<b>Total Deferred Outflows of Resources</b>	<b>\$ 21,477</b>	<b>\$ 34,924</b>	<b>\$ 56,401</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 54,668	\$ 17,019	\$ 71,687
Changes of Assumptions	2,707	81,163	83,870
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	72,279	26,348	98,627
<b>Total Deferred Inflows of Resources</b>	<b>\$ 129,654</b>	<b>\$ 124,530</b>	<b>\$ 254,184</b>

\$529 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (21,817)	\$ (20,187)	\$ (42,004)
2023	(21,730)	(18,160)	(39,890)
2024	(21,746)	(17,448)	(39,194)
2025	(20,637)	(25,356)	(45,993)
2026	(16,330)	(4,271)	(20,601)
Thereafter	(6,446)	(4,184)	(10,630)
	<b>\$ (108,706)</b>	<b>\$ (89,606)</b>	<b>\$ (198,312)</b>

**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.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**6. DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent 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 (expected return, net of investment expense and inflation) 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 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the



**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

<b>6. DEFINED BENEFIT OPEB PLANS (Continued)</b>
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asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 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 Stocks	22.50	5.75
Non-US Stocks	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	100.00 %	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

<b>6. DEFINED BENEFIT OPEB PLANS (Continued)</b>
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***Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase								
Academy's Proportionate Share of the Net OPEB Liability	\$ 131,568	\$ 107,488	\$ 88,353								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">1% Decrease</th> <th style="width: 15%; text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Current Trend Rate</th> <th style="width: 15%; text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">1% Increase</th> </tr> </thead> <tbody> <tr> <td style="padding-top: 10px;">Academy's Proportionate Share of the Net OPEB Liability</td> <td style="text-align: right; vertical-align: bottom;">\$ 84,642</td> <td style="text-align: right; vertical-align: bottom;">\$ 107,488</td> <td style="text-align: right; vertical-align: bottom;">\$ 138,050</td> </tr> </tbody> </table>					1% Decrease	Current Trend Rate	1% Increase	Academy's Proportionate Share of the Net OPEB Liability	\$ 84,642	\$ 107,488	\$ 138,050
	1% Decrease	Current Trend Rate	1% Increase								
Academy's Proportionate Share of the Net OPEB Liability	\$ 84,642	\$ 107,488	\$ 138,050								

***Actuarial Assumptions – STRS***

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

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

<b>6. DEFINED BENEFIT OPEB PLANS (Continued)</b>
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Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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 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 %	

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

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

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**6. DEFINED BENEFIT OPEB PLANS (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	\$ (74,347)	\$ (85,450)	\$ (94,870)
	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	\$ (94,285)	\$ (85,450)	\$ (74,686)

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

**7. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2021, the School contracted with Hanover Insurance Company for its insurance coverage as follows:

General Liability per Occurrence	\$1,000,000
General Liability Aggregate	\$2,000,000

Settlement amounts did not exceed coverage amounts in the last 3 years nor is there a reduction in coverage from the prior year.

**B. Workers' Compensation**

ESC pays the State Worker's Compensation System a premium for employee injury coverage (Note 9).

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**8. PURCHASED SERVICES**

During the fiscal year ended June 30, 2021, purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	<u>\$1,813,300</u>
Total Purchased Services	<u><u>\$1,813,300</u></u>

Purchased Services expense has increased by \$90,394 adjusted with the net impact of the accruals related to Pension and OPEB.

**9. MANAGEMENT AGREEMENT**

Effective July 1, 2012, the Academy and ESC entered into a full-performance management contract. Under this contract, ESC is obligated to manage and operate the Academy. ESC is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501(c)(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the Academy, ESC currently supports two other Ohio community schools. Each of its supported schools are members of ESC, as such term is defined by Ohio Revised Code Chapter 1702. As members of ESC, the schools, under ESC's Code of Regulations, elect a majority of the Board of Directors of ESC. As a result of this relationship, ESC is "operated, supervised, or controlled by" its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and ESC is a Type I supporting organization. As a result of this relationship, ESC is responsive to the needs and demands of its supported schools and is an integral part of their operations. Additionally, ESC will assume the obligations of the Academy under the existing contract.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**10. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2021, ESC incurred the following expenses on behalf of the School:

	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Support Services (2000 Function Codes)	Non- Instructional (3000 through 7000 Function Codes)	Total
<i>Direct expenses:</i>					
Salaries & wages (100 object codes)	\$ 441,651	\$ 25,154	\$ 122,405	\$ -	\$ 589,210
Employees' benefits (200 object codes)	131,244	-	17,700	-	148,944
Pro. & technical services (410 object codes)	1,667	-	130,287	500	132,454
Property services (420 object codes)	-	-	114,807	-	114,807
Utilities (450 object codes)	-	-	28,713	-	28,713
Contracted craft or trade services (460 object codes)	-	-	268	83,882	84,150
Transportation (480 object codes)	-	-	1,627	-	1,627
Other purchased services (490 object codes)	-	-	3,208	-	3,208
Supplies (500 object codes)	118,035	-	36,770	-	154,805
Equipment (640, 644, and 645 object codes)	19,711	-	-	-	19,711
Other direct costs (All other object codes)	736	-	55,652	-	56,388
<i>Indirect expenses:</i>					
Overhead	35,359	-	253,303	347	289,009
<b>Total expenses</b>	<b>\$ 748,403</b>	<b>\$ 25,154</b>	<b>\$ 764,740</b>	<b>\$ 84,729</b>	<b>\$1,623,026</b>

Overhead charges of \$289,010 included above are assigned to the Academy based on a percentage of FTE students per School. These charges represent the indirect cost of services in the operation of the Academy. Such services include but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources, management, training and orientation financial reporting and compliance, purchasing and procurement, education services, technology support and marketing communications.

ESC charges expenses benefiting more than one school (i.e., overhead) pro rata based on the percentage of FTE students per school in relation to all the schools that ESC manages.

**11. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2021, if applicable, cannot be determined at this time.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**B. State Funding**

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for FY 2021.

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

In addition, the Academy contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2021 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

<b>12. COVID-19</b>
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The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidation Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

<b>13. SUBSEQUENT EVENT</b>
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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. For fiscal year 2021, the Community School reported \$1,254,405 in revenue related to these programs. 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.

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**Educational Academy for Boys and Girls**  
**Franklin County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net Pension Liability*  
*Last Eight Fiscal Years (1)*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>School Employees Retirement System (SERS)</i></b>								
Academy's Proportion of the Net Pension Liability	0.00522520%	0.00707320%	0.00786410%	0.00832840%	0.00690410%	0.00903520%	0.00853100%	0.00853100%
Academy's Proportionate Share of the Net Pension Liability	\$ 345,606	\$ 432,202	\$ 450,392	\$ 497,604	\$ 505,316	\$ 515,557	\$ 431,749	\$ 507,311
Academy's Covered Payroll	\$ 181,871	\$ 250,874	\$ 253,089	\$ 268,786	\$ 229,114	\$ 340,918	\$ 247,908	\$ 179,147
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.03%	168.69%	177.96%	185.13%	220.55%	151.23%	174.16%	283.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<b><i>State Teachers Retirement System (STRS)</i></b>								
Academy's Proportion of the Net Pension Liability	0.00486170%	0.00510245%	0.00479061%	0.00581837%	0.00472577%	0.00396845%	0.00393775%	0.00393775%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,176,358	\$ 1,128,376	\$ 1,053,348	\$ 1,382,166	\$ 1,581,858	\$ 1,096,764	\$ 957,797	\$ 1,140,922
Academy's Covered Payroll	\$ 586,729	\$ 599,050	\$ 544,614	\$ 639,657	\$ 447,686	\$ 434,957	\$ 445,492	\$ 260,531
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	193.41%	216.08%	353.34%	252.15%	215.00%	437.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is prior fiscal year.

See accompanying notes to the required supplementary information.

**Educational Academy for Boys and Girls**  
**Franklin County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Contributions - Pension*  
*Last Ten Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>School Employees Retirement System (SERS)</i></b>										
Contractually Required Contribution	\$ 24,780	\$ 25,462	\$ 33,868	\$ 34,167	\$ 37,630	\$ 32,076	\$ 44,933	\$ 34,360	\$ 24,794	\$ 17,522
Contributions in Relation to the Contractually Required Contribution	<u>(24,780)</u>	<u>(25,462)</u>	<u>(33,868)</u>	<u>(34,167)</u>	<u>(37,630)</u>	<u>(32,076)</u>	<u>(44,933)</u>	<u>(34,360)</u>	<u>(24,794)</u>	<u>(17,522)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$177,000	\$181,871	\$250,874	\$253,089	\$268,786	\$229,114	\$340,918	\$247,908	\$179,147	\$130,275
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
<b><i>State Teachers Retirement System (STRS)</i></b>										
Contractually Required Contribution	\$ 83,703	\$ 82,142	\$ 83,867	\$ 76,246	\$ 89,552	\$ 62,676	\$ 60,894	\$ 57,914	\$ 33,869	\$ 29,729
Contributions in Relation to the Contractually Required Contribution	<u>(83,703)</u>	<u>(82,142)</u>	<u>(83,867)</u>	<u>(76,246)</u>	<u>(89,552)</u>	<u>(62,676)</u>	<u>(60,894)</u>	<u>(57,914)</u>	<u>(33,869)</u>	<u>(29,729)</u>
Contribution Deficiency (Excess)	<u>\$167,406</u>	<u>\$164,284</u>	<u>\$167,734</u>	<u>\$152,492</u>	<u>\$179,104</u>	<u>\$125,352</u>	<u>\$121,788</u>	<u>\$115,828</u>	<u>\$ 67,738</u>	<u>\$ 59,458</u>
Academy's Covered Payroll	\$597,879	\$586,729	\$599,050	\$544,614	\$639,657	\$447,686	\$434,957	\$445,492	\$260,531	\$228,685
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

**Educational Academy for Boys and Girls**  
**Franklin County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net OPEB Liability (Asset)*  
*Last Five Fiscal Years (1)*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>					
Academy's Proportion of the Net OPEB Liability	0.004946%	0.006806%	0.007557%	0.007879%	0.006360%
Academy's Proportionate Share of the Net OPEB Liability	\$ 107,488	\$ 171,167	\$ 209,638	\$ 211,454	\$ 181,294
Academy's Covered Payroll	\$ 181,871	\$ 280,574	\$ 253,089	\$ 268,786	\$ 229,114
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	59.10%	68.23%	82.83%	78.67%	79.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>					
Academy's Proportion of the Net OPEB Liability (Asset)	0.004862%	0.005102%	0.004791%	0.005818%	0.004726%
Academy's Proportionate Share of the Net OPEB Liability (Asset)	\$ (85,450)	\$ (84,501)	\$ (76,980)	\$ 227,001	\$ 252,735
Academy's Covered Payroll	\$ 586,729	\$ 599,050	\$ 544,614	\$ 639,657	\$ 447,686
Academy's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	35.49%	56.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

See accompanying notes to the required supplementary information.

**Educational Academy for Boys and Girls**  
**Franklin County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Contributions - OPEB*  
*Last Ten Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>School Employees Retirement System (SERS)</i></b>										
Contractually Required Contribution (1)	\$ 529	\$ 924	\$ 3,336	\$ 3,534	\$ 1,647	\$ 489	\$ 2,799	\$ 347	\$ 2,257	\$ 1,343
Contributions in Relation to the Contractually Required Contribution	<u>(529)</u>	<u>(924)</u>	<u>(3,336)</u>	<u>(3,534)</u>	<u>(1,647)</u>	<u>(489)</u>	<u>(2,799)</u>	<u>(347)</u>	<u>(2,257)</u>	<u>(1,343)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$177,000	\$181,871	\$250,874	\$253,089	\$268,786	\$229,114	\$340,918	\$247,908	\$179,147	\$130,275
OPEB Contributions as a Percentage of Covered Payroll (1)	0.30%	0.51%	1.33%	1.40%	0.61%	0.21%	0.82%	0.14%	1.26%	1.03%
<b><i>State Teachers Retirement System (STRS)</i></b>										
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,455	\$ 2,605	\$ 2,287
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,455)</u>	<u>(2,605)</u>	<u>(2,287)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$597,879	\$586,729	\$599,050	\$544,614	\$639,657	\$447,686	\$434,957	\$445,492	\$260,531	\$228,685
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**NOTE 1 - NET PENSION LIABILITY**

***Changes in Assumptions - SERS***

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

***Changes in Assumptions – STRS***

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

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

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

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

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

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

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

**NOTE 2 - NET OPEB LIABILITY (ASSET)**

***Changes in Assumptions – SERS***

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

***Changes in Assumptions – STRS***

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

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

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS  
FRANKLIN COUNTY, OHIO**

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

modified along with the portion of rebated prescription drug costs.

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

There have been no changes to the benefit provisions.

***Changes in Benefit Terms – STRS***

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

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

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

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

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

To the Board of Directors  
Educational Academy for Boys and Girls  
Franklin County, Ohio  
35 Midland Avenue  
Columbus, OH 43223

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 Educational Academy for Boys and Girls, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 25, 2022.

**Internal Control over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.  
Dublin, Ohio  
February 25, 2022

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# OHIO AUDITOR OF STATE KEITH FABER



**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/5/2022**

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)