



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SUMMIT ACADEMY COMMUNITY SCHOOL - DAYTON  
MONTGOMERY COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Summit Academy Community School - Dayton  
Montgomery County  
4128 Cedar Ridge Rd.  
Dayton, OH 45414

To the Board of Directors:

### ***Report on the Financial Statement***

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

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting the financial statement in accordance with the cash accounting basis Note 2B describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on the financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash financial position of the School, as of June 30, 2021, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2B.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2B of the financial statement, which describes the basis applied to these statements. The financial statement is prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 2N to the financial statement, during 2021, the School has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. In addition, as discussed in Note 15 to the financial statement, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding these matters.

**Other Matters**

*Other Information*

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 29, 2022

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

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As management of Summit Academy Community School – Dayton (the School), we offer readers of the School's basic financial statement this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statement taken as a whole.

**Financial Highlights**

By agreement with its management company, Summit Academy Management, 100% of all receipts is passed through to the management company in order to manage the affairs of the School. In this regard, a cash management system is utilized in which all School cash is 'swept' into the bank account of the management company. As a result, the School has no cash on June 30, 2021.

**Using these Cash Basis Basic Financial Statement**

This annual report consists of a financial statement and notes to the statement. This statement is organized so the reader can understand the School's financial activities. The statement of receipts, disbursements and change in net position – cash basis provide information about the activities of the School.

**Reporting the School's Financial Activities**

***Statement of Receipts, Disbursements, and Change in Fund Net Position***

This document looks at all financial transactions and ask the question, "How did the School do financially during the fiscal year?" The statement of receipts, disbursements and change in net position – cash basis answer this question. This statement includes only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

This statement reports the School's net position and change in net position on a cash basis. This change in net position is important because it tells the reader that, for the School as a whole, the cash basis financial position of the School has improved or diminished. Given the School's management agreement with the management company, which calls for 100% of all receipts to be paid to the management company, the School's net position is not expected to change significantly in the near future through operations.

**Financial Analysis**

In order to further understand what makes up the change in net position for the current year, the following table gives readers further details regarding the results of activities for 2021 and 2020:

The 2020 amounts have been restated to align with the current year reporting framework.

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

	<u>2021</u>	<u>Restated 2020</u>	<u>Amount of Change</u>	<u>Percent of Change</u>
Operating Receipts	\$ 1,581,815	\$ 1,619,514	\$ (37,699)	-2.3%
Operating Disbursements	2,118,982	2,078,311	40,671	2.0%
Operating Income/(Loss)	(537,167)	(458,797)	(78,370)	-17.1%
Non-Operating Receipts (Disbursements)	537,167	458,797	78,370	17.1%
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	N/A

Operating receipts decreased primarily from reduced state foundation due to changes in enrollment and changes in funding levels as a result of the COVID-19 pandemic. Changes in disbursements are directly correlated with operating and non-operating receipts.

Non-operating receipts increased as a result of increased state and federal grant funding during 2021.

**Contacting the School's Financial Management**

This financial report is designed to provide our constituents with a general overview of the School's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, please contact Treasurer, Scott Pittman, by mail at Summit Academy Management, 2791 Mogadore Road, Akron, Ohio 44312; by email at [Scott.Pittman@summitacademies.org](mailto:Scott.Pittman@summitacademies.org); by calling (330) 670-8470; or by faxing (330) 784-7626.



**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**

*Statement of Receipts, Disbursements and Change in Net Position - Cash Basis*  
*For the Fiscal Year Ended June 30, 2021*

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<b>Operating Receipts</b>	
State Foundation	\$ 1,445,414
Medicaid Receipts	131,640
Materials and Fees	4,761
<b>Total Operating Receipts</b>	<u>1,581,815</u>
<b>Operating Disbursements</b>	
Purchased Services	2,111,667
Other Disbursements	7,315
<b>Total Operating Disbursements</b>	<u>2,118,982</u>
<b>Operating Loss</b>	(537,167)
<b>Non-Operating Receipts</b>	
State and Federal Grants	537,167
<b>Total Non-Operating Receipts</b>	<u>537,167</u>
<b>Change in Net Position</b>	-
Net Position at Beginning of Year - Restated (See Note 2)	<u>-</u>
<b>Net Position at End of Year</b>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

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**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Summit Academy Community School – Dayton, located in Montgomery County (the School), is a state nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School provides educational, literary, scientific, and related teaching services for “at-risk” children with the symptoms of Attention Deficit Hyperactivity Disorder (ADHD) and Asperger’s Syndrome. The School, which is part of the State's education program, is independent of any public school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

As further described in Note 5 to the financial statement, the School has contracted with Summit Academy Management, Inc. (SAM) to employ and facilitate the day-to-day management of the School. SAM is a legally separate nonprofit corporation, the results of which are not reflected in these financial statement

The governing boards of SAM and the School have completely different members, and all members of the School Board are independent of SAM. In addition, 3 board members of SAM are elected by the majority vote of the affiliated school boards.

SAM also provides management services to the following 23 legally separate community schools whose results of operations are not included herein:

- Summit Academy Akron Elementary School
- Summit Academy Akron Middle School
- Summit Academy Secondary School – Akron
- Summit Academy Community School for Alternative Learners – Canton
- Summit Academy Secondary School – Canton
- Summit Academy Community School – Cincinnati
- Summit Academy Transition High School – Cincinnati
- Summit Academy Community School – Columbus
- Summit Academy Middle School – Columbus
- Summit Academy Transition High School – Columbus
- Summit Academy Transition High School – Dayton
- Summit Academy Community School for Alternative Learners – Lorain
- Summit Academy School – Lorain
- Summit Academy Community School for Alternative Learners – Middletown
- Summit Academy Secondary School – Middletown
- Summit Academy Community School - Painesville
- Summit Academy Community School – Parma
- Summit Academy – Toledo
- Summit Academy Community School – Warren
- Summit Academy School for Alternative Learners – Warren Middle and Secondary
- Summit Academy Community School for Alternative Learners – Xenia
- Summit Academy – Youngstown
- Summit Academy Secondary School – Youngstown

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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The School has been approved for operation under a contract with the Educational Service Center of Lake Erie West (the Sponsor). The contract was extended for a term ending June 30, 2021, and then renews for additional one-year terms from July 1 to June 30, unless the Sponsor has given written notice of termination at least 90 days prior to the expiration date.

The School operates under a self-appointing Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor director by a majority vote of the then-existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor. These include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

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

As discussed further in the Basis of Accounting section of this note, the financial statement is presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School's accounting policies.

***A. Basis of Presentation***

The School's basic financial statement consists of a statement of receipts, disbursements and change in net position. This statement is prepared on the cash basis of accounting as further described in Basis of Accounting below.

The School uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating receipts and disbursements, change in net position, and financial position.

***B. Basis of Accounting***

The School's financial statement is prepared using the cash basis of accounting. Receipts are recorded in the School's financial records and reported in the financial statement when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expense for goods or services received but not yet paid, and accrued expense and liabilities) are not recorded in these financial statement.

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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***C. Budgetary Process***

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statement.

***D. Cash***

All monies received by the School are maintained in a demand deposit account, which are swept into an account of the management company in accordance with the management agreement discussed in Note 5.

***E. Inventory and Prepaid Items***

The School reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statement.

***F. Capital Assets***

The School has no capital assets, as the School operates under a management agreement with Summit Academy Management Company (see Note 5).

***G. Net Cash Position***

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***H. Operating Receipts and Disbursements***

Operating receipts are those receipts that are generated directly from the primary activity of the School. For the School, these receipts are primarily State Foundation and Medicaid payments. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the School. All receipts and disbursements not meeting this definition are reported as non-operating.

***I. Intergovernmental Receipts***

The School currently participates in the State Foundation Program. Receipts received from this program are recognized as operating receipts in the accounting period received.

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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***J. Employer Contributions to Cost-Sharing Pension Plans***

The School recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

***K. Long-Term Obligations***

The School's cash basis financial statement does not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

***L. Related Parties***

Related parties exist when an entity has the ability to significantly influence the management or operating policies of another entity. Related parties include Summit Academy Management.

***M. Implementation of New Accounting Standards***

For the fiscal year ended June 30, 2021, the School has, to the extent it applies to the cash basis of accounting, implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

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 statement of the School.

GASB Statement No. 90 improves the 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 statement of the School.

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

GASB Statement No. 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of GASB Statement No. 98 did not have an effect on the financial statement of the School.

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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***N. Change in Basis of Accounting and Restatement of Net Position***

For fiscal year 2021, the School ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2B. The effect on net position is below:

Net Position, June 30, 2020	\$ (2,264,755)
Restatement to Convert to Cash Basis	<u>2,264,755</u>
Restated Net Position, July 1, 2020	<u><u>\$ -</u></u>

**NOTE 3 - COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statement omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

**NOTE 4 - DEPOSITS**

At June 30, 2021, the carrying amount of the School's deposits was \$0, and the bank balance was \$0.

**NOTE 5 – AGREEMENT WITH SUMMIT ACADEMY MANAGEMENT**

The School has contracted with Summit Academy Management (SAM) to facilitate the day-to-day operations of the School. Per the agreement, the School pays SAM, as a management fee, 100 percent of receipts. In turn, SAM is responsible for all costs and decisions associated with operating the School. Such costs and decision areas include, but are not limited to: personnel (all teaching and administrative personnel are employees of SAM); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, and legal and financial management services. SAM is also responsible for maintenance of the School's facility. See Note 13 for the amount of actual direct and indirect disbursements incurred by SAM on behalf of the School.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

The net pension liability is disclosed as a commitment and not reported on the face of the financial statement as a liability because of the use of the cash basis framework.

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

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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***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 School’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension/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 School’s obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (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 net pension/net OPEB liability (asset) are not reported on the face of the financial statement, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

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

Plan Description – School 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:



**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 School’s contractually required contribution to SERS was \$31,448 for fiscal year 2021.

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

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended June 30, 2021*

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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 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 effective July 1, 2016. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2020 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$92,241 for fiscal year 2021.

**Summit Academy Community School - Dayton**  
**Montgomery County, Ohio**  
*Notes to the Financial Statement*  
For the Fiscal Year Ended June 30, 2021

***Net Pension Liability***

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 School'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:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00648130%	0.00520412%	
Prior Measurement Date	0.00660430%	0.00542563%	
Change in Proportionate Share	<u>-0.00012300%</u>	<u>-0.00022151%</u>	
Proportionate Share of the Net Pension Liability	\$ 428,687	\$ 1,259,212	\$ 1,687,899

***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 Percent of Payroll)
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

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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 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 School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School'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>
	School's Proportionate Share of the Net Pension Liability	\$ 587,249	\$ 428,687

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***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

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:

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

\*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

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 1,792,898	\$ 1,259,212	\$ 806,957

**NOTE 7 – DEFINED BENEFIT OPEB PLANS**

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statement as a liability (asset) because of the use of the cash basis framework.

See Note 6 for a description of the net OPEB liability (asset).

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

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

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

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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 School's surcharge obligation was \$654.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The 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)***

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

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.00602300%	0.00520400%
Prior Measurement Date	0.00656500%	0.00542600%
Change in Proportionate Share	-0.00054200%	-0.00022200%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 130,908	\$ (91,460)

***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

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modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 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



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not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<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** 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).

**Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	School's Proportionate Share of the Net OPEB Liability	\$ 160,218	\$ 130,908
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	School's Proportionate Share of the Net OPEB Liability	\$ 103,073	\$ 130,908

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***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 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:

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

\*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

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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 School'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.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (79,576)	\$ (91,460)	\$ (101,543)

  

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (100,917)	\$ (91,460)	\$ (79,940)

**NOTE 8 – OTHER BENEFITS**

SAM has contracted with a private carrier to provide employees within the School medical/surgical benefits. SAM pays a portion of the monthly premium for full-time employees and for part-time employees depending on the employee's status. The employees are responsible for the remaining amounts. SAM's and the employees' monthly premiums vary depending upon family size and the level of coverage the employee selected.

SAM also allows employees to participate in 403(b) deferred annuities through four vendors.

**NOTE 9 – TRANSACTIONS WITH RELATED PARTIES**

During fiscal year 2021, the School paid management fees to SAM in accordance with the management agreement further discussed in Note 5.

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**NOTE 10 – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAM has contracted with a commercial insurance company for property and general liability insurance on behalf of the School. Property coverage carries a \$10,000 deductible, with the School's building insured for \$900,000 and its contents insured for \$48,917. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a \$1,000 deductible.

Settled claims have not exceeded insurance coverage during the past three years, and there was no significant reduction in coverage amounts from the prior year policy.

**NOTE 11 - CONTINGENCIES**

***Grants***

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2021.

***School Foundation 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 for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed an FTE Review on the School for fiscal year 2021.

All ODE adjustments have been completed.

In addition, the School's contracts with their Sponsor and Management Company require payment based on receipts from the State. As discussed above, additional FTE adjustments for fiscal year 2021 have been finalized.

***Litigation***

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statement.

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**NOTE 12 – TAX EXEMPT STATUS**

Effective November 17, 2003, the School was granted its status as a tax exempt, non-profit organization under Internal Revenue Code Section 501(c) (3).

**NOTE 13 – MANAGEMENT COMPANY DISBURSEMENTS**

As per the agreement with SAM (See Note 5), 100 percent of School receipts are paid to SAM as a management fee.

Summit Academy Management incurred the following actual direct and indirect disbursements on behalf of the School during fiscal year 2021:

	<u>Regular Instruction</u>	<u>Special Instruction</u>	<u>Support Services</u>	<u>Non- Instructional</u>	<u>Total</u>
<i>Direct Expenses:</i>					
Salaries and Wages	\$ 484,113	\$ 61,412	\$ 184,848	\$ 60	\$ 730,433
Employees' Benefits	161,243	25,247	50,678	13	237,181
Professional and Technical Services	-	21,180	277,728	-	298,908
Property Services	-	-	86,176	-	86,176
Utilities	-	-	18,202	-	18,202
Contracted Craft or Trade Services	-	-	-	35,123	35,123
Supplies	94,699	2,259	27,718	-	124,676
Equipment	-	-	1,830	-	1,830
All Other Direct Costs	9,326	181	149,748	145	159,400
<i>Indirect Expenses:</i>					
Other Direct and Indirect Costs	4,192	68	193,806	2,442	200,508
<b>Total expenses</b>	<u>\$ 753,573</u>	<u>\$ 110,347</u>	<u>\$ 990,734</u>	<u>\$ 37,783</u>	<u>\$ 1,892,437</u>

Summit Academy Management charges disbursements benefiting more than one school (i.e. indirect overhead disbursements) pro rata based on June 2021 FTE amounts.

**NOTE 14 – SPONSORSHIP AGREEMENT**

Under Paragraph 9.7 of the sponsor contract with the Educational Service Center of Lake Erie West, it states that “for and in consideration of two and a half percent (2.5%) of the total amount of payments for operating expenses received by the School from the State of Ohio... the Sponsor shall provide the monitoring, oversight, and technical assistance required by law.” Such fees are paid to the Sponsor monthly. During the fiscal year, the SAM, contracted as the School’s management company, paid the fees of \$35,750 to the Sponsor for the School.

**NOTE 15 – COVID-19**

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 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 Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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**NOTE 16 – SUBSEQUENT EVENT**

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

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Summit Academy Community School - Dayton  
Montgomery County  
4128 Cedar Ridge Rd.  
Dayton, OH 45414

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Summit Academy Community School - Dayton, Montgomery County, (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the School's basic financial statement and have issued our report thereon dated March 29, 2022, wherein we noted the School changed its accounting framework to a special purpose framework other than generally accepted accounting principles. In addition, we noted the School referred to the financial impact of COVID-19 and the continuing emergency measures that may impact subsequent periods.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statement. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***School's Response to Findings***

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School's response to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 29 2022



**SUMMIT ACADEMY COMMUNITY SCHOOL - DAYTON  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2021**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2021-001**

**Noncompliance - Ohio Rev. Code § 117.38 - Financial Statement Reporting**

**Ohio Admin. Code 117-2-03(B)** requires the School to file annual financial reports which are prepared using generally accepted accounting principles ("GAAP").

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. This law also gives two submission dates for entities to submit a financial report to the Auditor of State depending on the type of financial report it files. If the public office submits a report using GAAP, the office has 150 days to file its report following the end of its fiscal year. If the public office does not file a report using GAAP, the office has 60 days to submit its report following the end of its fiscal year.

The School prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time. Additionally, because the School did not file its financial report using GAAP, the School only had 60 days following the conclusion of its fiscal year to file its report with the Auditor of State. The School's cash basis report was required to be filed by August 30, 2021; however, it was not filed until December 21, 2021.

Pursuant to Ohio Rev. Code § 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School's ability to evaluate and monitor the overall financial condition of the School. To help provide the users with more meaningful financial statements, the School should prepare its annual financial statements according to generally accepted accounting principles and file the report timely.

**Official's Response:** A cost benefit analysis was done by the organization, and it was determined that, due to the uncertainties with school funding and the cost of doing a GAAP conversion, Summit Academy Management chose not to file annual financial reports using generally accepted accounting principles (GAAP). Summit Academy will re-evaluate during FY22 to determine the type of filing for FY22.

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# OHIO AUDITOR OF STATE KEITH FABER



**SUMMIT ACADEMY COMMUNITY SCHOOL - DAYTON**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/12/2022**

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)