

**ANN JERKINS-HARRIS**  
**ACADEMY OF EXCELLENCE**  
(formerly **ACADEMY OF EDUCATIONAL EXCELLENCE**)  
LUCAS COUNTY, OHIO

**REGULAR AUDIT**

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



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Governing Board  
Ann Jerkins-Harris Academy of Excellence  
(formerly known as Academy of Educational Excellence)  
728 Parkside Boulevard  
Toledo, Ohio 43607

We have reviewed the *Independent Auditor's Report* of the Ann Jerkins-Harris Academy of Excellence (formerly known as Academy of Educational Excellence), Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 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 Ann Jerkins-Harris Academy of Excellence (formerly known as Academy of Educational Excellence) is responsible for compliance with these laws and regulations.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 01, 2022

**This page intentionally left blank.**

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 7
Basic Financial Statements:	
Statement of Net Position.....	9
Statements of Revenues, Expenses and Changes in Net Position .....	10
Statement of Cash Flows .....	11
Notes to the Basic Financial Statements.....	13 - 35
Required Supplementary Information:	
Schedule of the Academy’s Proportionate Share of the Net Pension Liability:	
School Employee’s Retirement System (SERS) of Ohio .....	37 - 38
State Teachers Retirement System (STRS) of Ohio.....	39 - 40
Schedule of Academy Pension Contributions:	
School Employee’s Retirement System (SERS) of Ohio .....	41 - 42
State Teachers Retirement System (STRS) of Ohio .....	43 - 44
Schedule of the Academy’s Proportionate Share of the Net OPEB Liability/Asset:	
School Employee’s Retirement System (SERS) of Ohio .....	45
State Teachers Retirement System (STRS) of Ohio .....	46
Schedule of Academy OPEB Contributions:	
School Employee’s Retirement System (SERS) of Ohio .....	47 - 48
State Teachers Retirement System (STRS) of Ohio .....	49 - 50
Notes to the Required Supplementary Information .....	51 - 52
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 <i>Government Auditing Standards</i> .....	53 - 54

**This page intentionally left blank.**

## Independent Auditor's Report

Ann Jerkins-Harris Academy of Excellence  
Lucas County  
728 Parkside Blvd.  
Toledo, Ohio 43607

To the Board of Directors:

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

We have audited the accompanying financial statements of the Ann Jerkins-Harris Academy of Excellence, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence, Lucas County, Ohio, as of June 30, 2021, and the changes in its financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Ann Jerkins-Harris Academy of Excellence. Our opinion was not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions* 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 November 30, 2021, on our consideration of the Ann Jerkins-Harris Academy of Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence's internal control over financial reporting and compliance.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
November 30, 2021



**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

The discussion and analysis of the Ann Jerkins-Harris Academy of Excellence's (the "Academy") financial performance provides an overall review of the Academy's 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.

**Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

- In total, the Academy's net position decreased \$120,006, from 2020's deficit of \$818,132 to a deficit of \$938,138.
- The Academy had operating revenues of \$852,139 and operating expenses of \$1,714,711 during fiscal year 2021. The Academy also recognized non-operating revenue of \$744,007 from federal and State grants and entitlements and interest and fiscal charges of \$1,441 during the year.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2021?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

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

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations.

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

The required supplementary information provides detailed information regarding the Academy's proportionate share of the net pension liability and net OPEB liability/asset of the retirement systems and a ten year schedule of the Academy's contributions to the retirement systems to fund pension and OPEB obligations.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

The table below provides a summary of the Academy's net position at June 30, 2021 and June 30, 2020.

	<b>Net Position</b>	
	2021	2020
<b><u>Assets</u></b>		
Current assets	\$ 528,431	\$ 609,591
Non-current assets	97,844	130,936
Total assets	626,275	740,527
<b><u>Deferred outflows</u></b>		
	582,871	770,614
<b><u>Liabilities</u></b>		
Current liabilities	286,052	270,741
Long-term liabilities:		
Due within one year	18,968	18,044
Due in more than one year	-	202,568
Net pension liability	1,289,094	1,396,664
Net OPEB liability	188,645	243,401
Total liabilities	1,782,759	2,131,418
<b><u>Deferred inflows</u></b>		
	364,525	197,855
<b><u>Net Position</u></b>		
Net investment in capital assets	25,052	31,516
Restricted	72,562	96,143
Unrestricted (deficit)	(1,035,752)	(945,791)
Total net position (deficit)	\$ (938,138)	\$ (818,132)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2021, the Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position.

At June 30, 2021, capital assets represented 7.03 percent of total assets. Capital assets are used to provide services to students and are not available for future spending. Capital assets consist of equipment and vehicles.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

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

**Change in Net Position**

	2021	2020
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 849,985	\$ 916,605
Other	2,154	8,098
Total operating revenue	852,139	924,703
<b><u>Operating Expenses:</u></b>		
Salaries and wages	793,764	659,537
Fringe benefits	438,144	588,838
Purchased services	402,234	302,130
Materials and supplies	55,511	59,278
Other	550	550
Depreciation	24,508	25,554
Total operating expenses	1,714,711	1,635,887
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Federal and State grants and contributions	744,007	237,865
Interest and fiscal charges	(1,441)	(2,319)
Total non-operating revenues (expenses)	742,566	235,546
Change in net position	(120,006)	(475,638)
Net position (deficit) at beginning of year	(818,132)	(342,494)
Net position (deficit) at end of year	\$ (938,138)	\$ (818,132)

The revenue generated by community Academies is heavily dependent upon the per-pupil allotment determined by the State foundation program and federal entitlement programs. Foundation payments amounted to 53.25 percent of total revenues received during fiscal year 2021.

Operating expenses of the Academy increased \$78,824. This increase is primarily a result of the fluctuation in net pension liability and net OPEB liability and the associated deferred inflows and outflows, which is reflected in fringe benefit expense.

**Debt Administration**

At June 30, 2021 the Academy had long-term obligations including a capital lease for a bus of \$18,968, with the entire amount due within one year. See Note 10 in the notes to the basic financial statements for further detail relating to the Academy's long-term obligations.

**Capital Assets**

At June 30, 2021, the Academy had \$44,020 in capital assets, net of accumulated depreciation. The Academy had \$24,508 in depreciation expense. The Academy did not have any capital asset additions or disposals during the year. The Academy's capital assets consist of equipment and vehicles. See Note 11 in the notes to the basic financial statements for further detail relating to the Academy's capital assets.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**Current Financial Related Activities**

The Academy is reliant upon State Foundation monies and State Grants to offer quality educational services to students.

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Ann Jerkins-Harris Academy of Excellence's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Todd Johnson, Treasurer of the Academy, 728 Parkside Boulevard, Toledo, Ohio 43607.

**BASIC  
FINANCIAL STATEMENTS**

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2021

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 265,372
Receivables:	
Intergovernmental	256,759
Prepayments	<u>6,300</u>
Total current assets	<u>528,431</u>
Non-current assets:	
Net OPEB asset	53,824
Depreciable capital assets, net	<u>44,020</u>
Total non-current assets	<u>97,844</u>
Total assets	<u>626,275</u>
<b>Deferred outflows of resources:</b>	
Pension	386,107
OPEB	<u>196,764</u>
Total deferred outflows of resources	<u>582,871</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	14,848
Accrued wages and benefits	243,457
Pension and postemployment benefits payable	26,622
Intergovernmental payable	<u>1,125</u>
Total current liabilities	<u>286,052</u>
Non-current liabilities:	
Long-term liabilities due in one year	18,968
Net pension liability	1,289,094
Net OPEB liability	<u>188,645</u>
Total non-current liabilities	<u>1,496,707</u>
Total liabilities	<u>1,782,759</u>
<b>Deferred inflows of resources:</b>	
Pension	174,934
OPEB	<u>189,591</u>
Total deferred inflows of resources	<u>364,525</u>
<b>Net position:</b>	
Net investment in capital assets	25,052
Restricted for:	
State programs	26,532
Federal programs	4,155
Other purposes	41,875
Unrestricted (deficit)	<u>(1,035,752)</u>
Total net position (deficit)	<u>\$ (938,138)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

<b>Operating revenues:</b>	
Foundation revenue	\$ 849,985
Other	2,154
Total operating revenues	852,139
 <b>Operating expenses:</b>	
Salaries and wages	793,764
Fringe benefits	438,144
Purchased services	402,234
Materials and supplies	55,511
Other	550
Depreciation	24,508
Total operating expenses	1,714,711
Operating loss	(862,572)
 <b>Non-operating revenues (expenses):</b>	
Federal and State operating grants and contributions	744,007
Interest and fiscal charges	(1,441)
Total non-operating revenues (expenses)	742,566
Change in net position	(120,006)
<b>Net position (deficit) at beginning of year</b>	<b>(818,132)</b>
<b>Net position (deficit) at end of year</b>	<b>\$ (938,138)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

<b>Cash flows from operating activities:</b>	
Cash received from State foundation	\$ 883,061
Cash received from other operations	2,154
Cash payments for salaries and wages	(789,585)
Cash payments for fringe benefits	(210,956)
Cash payments for contractual services	(409,153)
Cash payments for materials and supplies	(54,202)
Cash payments for other expenses	(550)
	(579,231)
<b>Net cash used in operating activities</b>	
<b>Cash flows from noncapital financing activities:</b>	
Federal and State operating grants and contributions	353,491
	353,491
<b>Net cash provided by noncapital financing activities</b>	
<b>Cash flows from capital and related financing activities:</b>	
Interest and fiscal charges	(1,441)
Principal retirement on capital leases	(18,044)
	(19,485)
<b>Net cash used in capital and related financing activities</b>	
Net decrease in cash and cash equivalents	(245,225)
<b>Cash and cash equivalents at beginning of year</b>	510,597
<b>Cash and cash equivalents at end of year</b>	\$ 265,372
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (862,572)
Adjustments:	
Depreciation	24,508
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Intergovernmental receivable	33,076
Prepayments	9,775
Accounts payable	690
Accrued wages and benefits	4,179
Intergovernmental payable	60
Pension and postemployment benefits payable	10,382
Net pension liability	(107,570)
Net OPEB asset	8,584
Net OPEB liability	(54,756)
Deferred outflows - pensions	156,647
Deferred outflows - OPEB	31,096
Deferred inflows - pensions	119,710
Deferred inflows - OPEB	46,960
	(579,231)
<b>Net cash used in operating activities</b>	<b>\$ (579,231)</b>

**Non-cash transaction:**

During fiscal year 2021, the Academy's paycheck protection loan was forgiven in the amount of \$183,600.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE  
INTENTIONALLY LEFT BLANK**

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Ann Jerkins-Harris Academy of Excellence (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to serve students in grades Kindergarten through 3 and ages 5 through 9. The Academy focuses on literacy and technology. . The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations.

The Academy was approved for sponsorship under contract resolution on March 15, 2012 with North Central Ohio Educational Service Center (the “Sponsor”) for a period of five years commencing on July 1, 2012. The sponsor contract was amended and renewed during fiscal year 2017. The term of this contact began on July 1, 2017 and ended on June 30, 2019. The contract was amended and renewed through June 30, 2021. The contract was amended to include one additional year, from July 1, 2021 through June 30, 2022. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Governing Board. 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. The Board of Directors controls the Academy’s one instructional/support facility staffed by 12 non-certified and 10 certified teaching personnel who provide services to 96 students.

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

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

**A. Basis of Presentation**

The Academy’s basic financial statements consists of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

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

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

Enterprise accounting uses a “flow of economic resources” measurement focus. With this measurement focus, all assets and deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

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

**C. Budgetary Process**

Unlike traditional public Schools located in the State of Ohio, community academies are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed Academy budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705. The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

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

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, see Notes 6 and 7 for deferred outflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Notes 6 and 7 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

**E. Cash and Cash Equivalents**

All cash received by the Academy is maintained in demand deposit accounts. The Academy did not have any investments during fiscal year 2021.

**F. Capital Assets and Depreciation**

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 maintains a capitalization threshold of \$1,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful life:

<u>Description</u>	<u>Estimated Life</u>
Equipment	5 - 10 years
Vehicles	5 - 7 years

**G. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, which includes Economic Disadvantaged Funding and Limited English Proficiency Funding, which are reflected under "state foundation" on the statement of revenues, expenses and changes in net position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

**H. Operating Revenues and Expenses**

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

**I. Net Position**

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

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

**J. Use of Estimates**

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

**K. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had \$6,300 of prepayments as of June 30, 2021.

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

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

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

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

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

**NOTE 4 - DEPOSITS**

At June 30, 2021, the carrying amount of all Academy deposits was \$265,372. 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 \$282,577, of this \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC). \$32,577 of the Academy's bank balance was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Academy has no deposit policy for custodial credit.

The Academy had no investments.

**NOTE 5 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Academy contracted with Citizens Insurance Company for general liability and property insurance and professional liability, and auto.

Coverage is as follows:

Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	2,000,000
Fire Damage Limit, Any One Fire	500,000
Personal and Advertising Injury Limit	1,000,000
Property Damage	100,000
School and Educators Liability	3,000,000
Business Automobile	1,000,000

Settled claims have not yet exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 5 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**NOTE 6 - 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) represent the Academy's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan Description - The Academy's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](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 after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The Academy's contractually required contribution to SERS was \$42,441 for fiscal year 2021. Of this amount, \$362 is reported as pension and postemployment benefits payable.

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

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



**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

The Academy's contractually required contribution to STRS was \$78,530 for fiscal year 2021. Of this amount, \$9,461 is reported as pension and postemployment benefits payable.

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

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.00941600%	0.00376808%	
Proportion of the net pension liability current measurement date	<u>0.00828630%</u>	<u>0.00306252%</u>	
Change in proportionate share	<u>-0.00112970%</u>	<u>-0.00070556%</u>	
Proportionate share of the net pension liability	\$ 548,073	\$ 741,021	\$ 1,289,094
Pension expense	\$ 167,033	\$ 122,725	\$ 289,758

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	\$ 1,065	\$ 1,665	\$ 2,730
Net difference between projected and actual earnings on pension plan investments	34,796	36,033	70,829
Changes of assumptions	-	39,777	39,777
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	43,318	108,482	151,800
Contributions subsequent to the measurement date	<u>42,441</u>	<u>78,530</u>	<u>120,971</u>
Total deferred outflows of resources	<u>\$ 121,620</u>	<u>\$ 264,487</u>	<u>\$ 386,107</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 4,738	\$ 4,738
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>44,377</u>	<u>125,819</u>	<u>170,196</u>
Total deferred inflows of resources	<u>\$ 44,377</u>	<u>\$ 130,557</u>	<u>\$ 174,934</u>

\$120,971 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.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ 15,375	\$ 57,197	\$ 72,572
2023	(5,967)	20,741	14,774
2024	14,502	(7,447)	7,055
2025	10,892	(15,091)	(4,199)
Total	\$ 34,802	\$ 55,400	\$ 90,202

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

**Sensitivity of the 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 net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 750,794	\$ 548,073	\$ 377,987

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

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

	June 30, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the June 30, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 1,055,085	\$ 741,021	\$ 474,878

**NOTE 7 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

See Note 6 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.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was \$5,934.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$5,934 for fiscal year 2021. Of this amount, \$5,934 is reported as pension and postemployment benefits payable.

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

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

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

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

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The 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.

THIS SPACE INTENTIONALLY LEFT BLANK

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.00967880%	0.00376808%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.00868000%</u>	<u>0.00306252%</u>	
Change in proportionate share	<u>-0.00099880%</u>	<u>-0.00070556%</u>	
Proportionate share of the net OPEB liability	\$ 188,645	\$ -	\$ 188,645
Proportionate share of the net OPEB asset	\$ -	\$ (53,824)	\$ (53,824)
OPEB expense	\$ 32,458	\$ 5,360	\$ 37,818

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 2,476	\$ 3,447	\$ 5,923
Net difference between projected and actual earnings on OPEB plan investments	2,127	1,888	4,015
Changes of assumptions	32,158	888	33,046
Difference between employer contributions and proportionate share of contributions/change in proportionate share	115,805	32,041	147,846
Contributions subsequent to the measurement date	<u>5,934</u>	<u>-</u>	<u>5,934</u>
Total deferred outflows of resources	<u>\$ 158,500</u>	<u>\$ 38,264</u>	<u>\$ 196,764</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 95,939	\$ 10,720	\$ 106,659
Changes of assumptions	4,753	51,124	55,877
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>26,069</u>	<u>986</u>	<u>27,055</u>
Total deferred inflows of resources	<u>\$ 126,761</u>	<u>\$ 62,830</u>	<u>\$ 189,591</u>

\$5,934 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/asset in the fiscal year ending June 30, 2022.



**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ 10,376	\$ (5,337)	\$ 5,039
2023	10,529	(4,060)	6,469
2024	10,504	(3,617)	6,887
2025	5,424	(6,302)	(878)
2026	(5,237)	(2,484)	(7,721)
Thereafter	(5,791)	(2,766)	(8,557)
Total	\$ 25,805	\$ (24,566)	\$ 1,239

***Actuarial Assumptions - SERS***

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

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

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

THIS SPACE INTENTIONALLY LEFT BLANK

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

**Sensitivity of the 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 230,897	\$ 188,645	\$ 155,055
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 148,543	\$ 188,645	\$ 242,271

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real 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>	

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB asset	\$ 46,830	\$ 53,824	\$ 59,758

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB asset	\$ 59,389	\$ 53,824	\$ 47,044

**NOTE 8 - OPERATING LEASE**

The Roman Catholic Diocese of Toledo in America entered into a lease agreement with the North Central Ohio Educational Service Center and the Academy for a term beginning June 1, 2016 and ended on September 30, 2017. This agreement was, in substance, a rental agreement (operating lease) and was classified as purchased services in the financial statements. The Lessees obligation was \$300 per month for June-September 2016 and \$3,000 per month for the remainder of the lease. The current obligation for fiscal year 2021 was \$6,300 per month. The lease had two successive options to renew for an additional three years and was renewed through June 30, 2022.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

During a prior fiscal year, the Academy entered into a capitalized lease for a bus. Capital assets acquired by lease have been originally capitalized in the amount of \$86,238, which represents the present value of the future minimum lease payments at the time of acquisition. Principal and interest payments in the 2021 fiscal year totaled \$18,044 and \$1,441 respectively.

The capitalized assets acquired through capital leases are as follows:

<b>Asset:</b>	
Bus	\$ 86,238
Less: accumulated depreciation	<u>(60,367)</u>
Total	<u>\$ 25,871</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2021.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	<u>19,485</u>
Total minimum lease payments	19,485
Less: amount representing interest	<u>(517)</u>
Total	<u>\$ 18,968</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

The Academy's long-term obligations during the fiscal year consist of the following:

	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due in One Year
Capital Lease Obligation	\$ 37,012	\$ -	\$ (18,044)	\$ 18,968	\$ 18,968
Federal Paycheck Protection Loan	183,600	-	(183,600)	-	-
Net Pension Liability	1,396,664	-	(107,570)	1,289,094	-
Net OPEB Liability	<u>243,401</u>	-	<u>(54,756)</u>	<u>188,645</u>	-
Total Long-Term Obligations	<u>\$ 1,860,677</u>	<u>\$ -</u>	<u>\$ (363,970)</u>	<u>\$ 1,496,707</u>	<u>\$ 18,968</u>

During fiscal year 2020, the Academy received a federal loan for \$183,600 as part of the paycheck protection program ("PPP"). The loan had an interest rate of 1% and a maturity of 2 years. The Academy received loan forgiveness during fiscal year 2021.

See Note 9 for detail on the capital lease obligation.

See Note 6 for detail on the net pension liability.

See Note 7 for detail on the net OPEB liability/asset.

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 11 - CAPITAL ASSETS**

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

	Balance 6/30/20	Additions	Deductions	Balance 06/30/21
Capital assets, being depreciated:				
Equipment	\$ 34,001	\$ -	\$ -	\$ 34,001
Vehicles	137,188	-	-	137,188
Total capital assets being depreciated	171,189	-	-	171,189
Less: accumulated depreciation				
Equipment	(34,001)	-	-	(34,001)
Vehicles	(68,660)	(24,508)	-	(93,168)
Total accumulated depreciation	(102,661)	(24,508)	-	(127,169)
Capital assets, net	\$ 68,528	\$ (24,508)	\$ -	\$ 44,020

**NOTE 12 - CONTRACTS**

**Sponsor Contract**

The Academy entered into a sponsorship contract commencing on July 1, 2012 and ending on June 30, 2017 with North Central Ohio Educational Service Center. The sponsor contract with North Central Ohio Educational Service Center was amended and renewed during fiscal year 2017, fiscal year 2019 and fiscal year 2021. The term of the current contract began on July 1, 2019 and ends on June 30, 2022.

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

- Provide technical assistance and monitor the Academy’s compliance with all laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Report on at least an annual basis the results of the evaluation conducted to the Ohio Department of Education and to the parents/guardians of students enrolled in the Academy;
- Take steps to intervene in the Academy’s operation to correct problems in the Academy’s overall performance, declare the Academy to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew the contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Develop a plan of action to be undertaken if the Academy experiences financial difficulties or closes prior to the end of the year;
- Evaluate the performance of the Academy according to standards set forth in the Assessment and Accountability Plan;
- Support the Academy’s establishment and operation as determined to be appropriate by the Sponsor at the Sponsor’s sole discretion;

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 12 - CONTRACTS - (Continued)**

- Notify the Academy within five business days of complaints or correspondence from the Ohio Department of Education concerning the Academy; and,
- Comply with the procedures for resolving disputes or differences of opinion between it and the Academy as set forth in the Governance and Administrative Plan.

**NOTE 13 - PURCHASED SERVICES**

For fiscal year 2021, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 241,863
Property services	93,889
Travel/meetings	58
Communications	6,745
Utilities	4,608
Contracted services	36,459
Pupil transportation services	<u>18,612</u>
Total	<u>\$ 402,234</u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The Academy receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement 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 of the Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

**B. Litigation**

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

**C. Foundation Funding**

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

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



**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

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

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating school districts are limited to its representation on the Board. Financial information can be obtained by contacting NOECA, at 219 Howard Drive, Sandusky, Ohio 44870.

**NOTE 16 – COVID-19**

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

**NOTE 17 - 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.

**NOTE 18 – NAME CHANGE**

On May 27, 2021, the Academy formally changed its name from Academy of Educational Excellence to Ann Jerkins-Harris Academy of Excellence.

REQUIRED SUPPLEMENTARY INFORMATION

**This page intentionally left blank.**

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Academy's proportion of the net pension liability	0.00828630%	0.00941600%	0.00545550%	0.00347520%
Academy's proportionate share of the net pension liability	\$ 548,073	\$ 563,376	\$ 312,447	\$ 207,636
Academy's covered payroll	\$ 251,364	\$ 358,037	\$ 178,807	\$ 116,007
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	218.04%	157.35%	174.74%	178.99%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00181770%	0.00183500%	0.00184200%	0.00184200%
\$ 133,039	\$ 104,707	\$ 93,223	\$ 109,538
\$ 56,450	\$ 55,243	\$ 53,521	\$ 48,526
235.68%	189.54%	174.18%	225.73%
62.98%	69.16%	71.70%	65.52%

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Academy's proportion of the net pension liability	0.00306252%	0.00376808%	0.00362679%	0.00268107%
Academy's proportionate share of the net pension liability	\$ 741,021	\$ 833,288	\$ 797,450	\$ 636,894
Academy's covered payroll	\$ 292,414	\$ 395,464	\$ 484,300	\$ 331,629
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	253.42%	210.71%	164.66%	192.05%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00229299%	0.00235634%	0.00190518%	0.00190518%
\$ 767,533	\$ 651,223	\$ 463,406	\$ 552,006
\$ 238,921	\$ 245,843	\$ 194,654	\$ 206,300
321.25%	264.89%	238.07%	267.57%
66.80%	72.10%	74.70%	69.30%

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 42,441	\$ 35,191	\$ 48,335	\$ 24,139
Contributions in relation to the contractually required contribution	<u>(42,441)</u>	<u>(35,191)</u>	<u>(48,335)</u>	<u>(24,139)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 303,150	\$ 251,364	\$ 358,037	\$ 178,807
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 16,241	\$ 7,903	\$ 7,281	\$ 7,418	\$ 6,716
<u>(16,241)</u>	<u>(7,903)</u>	<u>(7,281)</u>	<u>(7,418)</u>	<u>(6,716)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 116,007	\$ 56,450	\$ 55,243	\$ 53,521	\$ 48,526
13.50%	14.00%	14.00%	13.18%	13.86%

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 78,530	\$ 40,938	\$ 55,365	\$ 67,802
Contributions in relation to the contractually required contribution	<u>(78,530)</u>	<u>(40,938)</u>	<u>(55,365)</u>	<u>(67,802)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 560,929	\$ 292,414	\$ 395,464	\$ 484,300
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 46,428	\$ 33,449	\$ 34,418	\$ 25,305	\$ 26,819
<u>(46,428)</u>	<u>(33,449)</u>	<u>(34,418)</u>	<u>(25,305)</u>	<u>(26,819)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 331,629	\$ 238,921	\$ 245,843	\$ 194,654	\$ 206,300
14.00%	14.00%	14.00%	14.00%	13.00%

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability	0.00868000%	0.00967880%	0.00553880%	0.00353620%	0.00205882%
Academy's proportionate share of the net OPEB liability	\$ 188,645	\$ 243,401	\$ 153,661	\$ 94,902	\$ 58,684
Academy's covered payroll	\$ 251,364	\$ 358,037	\$ 178,807	\$ 116,007	\$ 56,450
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.05%	67.98%	85.94%	81.81%	103.96%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability/asset	0.00306252%	0.00376808%	0.00362679%	0.00268107%	0.00229299%
Academy's proportionate share of the net OPEB liability/(asset)	\$ (53,824)	\$ (62,408)	\$ (58,279)	\$ 104,605	\$ 122,630
Academy's covered payroll	\$ 292,414	\$ 395,464	\$ 484,300	\$ 311,629	\$ 238,921
Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	18.41%	15.78%	12.03%	33.57%	51.33%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 5,934	\$ 5,961	\$ 7,835	\$ 3,905
Contributions in relation to the contractually required contribution	<u>(5,934)</u>	<u>(5,961)</u>	<u>(7,835)</u>	<u>(3,905)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 303,150	\$ 251,364	\$ 358,037	\$ 178,807
Contributions as a percentage of covered payroll	1.96%	2.37%	2.19%	2.18%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,972	\$ -	\$ 453	\$ 930	\$ 78
<u>(1,972)</u>	<u>-</u>	<u>(453)</u>	<u>(930)</u>	<u>(78)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 116,007	\$ 56,450	\$ 55,243	\$ 53,521	\$ 48,526
1.70%	0.00%	0.82%	1.74%	0.16%

**ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 560,929	\$ 292,414	\$ 395,464	\$ 484,300
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ 1,947	\$ 2,063
-	-	-	(1,947)	(2,063)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 331,629	\$ 238,921	\$ 245,843	\$ 194,654	\$ 206,300
0.00%	0.00%	0.00%	1.00%	1.00%

ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO

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

---

PENSION

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

---

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

(Continued)

ANN JERKINS-HARRIS ACADEMY OF EXCELLENCE  
LUCAS COUNTY, OHIO

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

**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***

Ann Jerkins-Harris Academy of Excellence  
Lucas County, Ohio  
728 Parkside Blvd.  
Toledo, Ohio 43607

To the Board of Directors:

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 Ann Jerkins-Harris Academy of Excellence, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Ann Jerkins-Harris Academy of Excellence's basic financial statements, and have issued our report thereon dated November 30, 2021, wherein we noted, as described in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence'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 Ann Jerkins-Harris Academy of Excellence's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

November 30, 2021

**ACADEMY OF EDUCATIONAL  
EXCELLENCE  
LUCAS COUNTY, OHIO**

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 7
Basic Financial Statements:	
Statement of Net Position.....	9
Statements of Revenues, Expenses and Changes in Net Position .....	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements.....	13 - 37
Required Supplementary Information:	
Schedule of the Academy’s Proportionate Share of the Net Pension Liability:	
School Employee’s Retirement System (SERS) of Ohio .....	39 - 40
State Teachers Retirement System (STRS) of Ohio.....	41 - 42
Schedule of Academy Pension Contributions:	
School Employee’s Retirement System (SERS) of Ohio .....	43 - 44
State Teachers Retirement System (STRS) of Ohio.....	45 - 46
Schedule of the Academy’s Proportionate Share of the Net OPEB Liability/Asset:	
School Employee’s Retirement System (SERS) of Ohio .....	47
State Teachers Retirement System (STRS) of Ohio.....	48
Schedule of Academy OPEB Contributions:	
School Employee’s Retirement System (SERS) of Ohio .....	49 - 50
State Teachers Retirement System (STRS) of Ohio.....	51 - 52
Notes to the Required Supplementary Information .....	53 - 54
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 <i>Government Auditing Standards</i> .....	55 - 56

## Independent Auditor's Report

Academy of Educational Excellence  
Lucas County  
728 Parkside Blvd.  
Toledo, Ohio 43607

To the Board of Directors:

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

We have audited the accompanying financial statements of the Academy of Educational Excellence, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy of Educational Excellence'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 Academy of Educational Excellence'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 Academy of Educational Excellence'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 of Educational Excellence, Lucas County, Ohio, as of June 30, 2020, and the changes in its financial position and cash flows for the fiscal 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 schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions* 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 November 30, 2021, on our consideration of the Academy of Educational Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy of Educational Excellence'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 of Educational Excellence's internal control over financial reporting and compliance.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
November 30, 2021

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The discussion and analysis of the Academy of Educational Excellence's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2020. 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.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, the Academy's net position decreased \$475,638, from 2019's deficit of \$342,494 to a deficit of \$818,132.
- The Academy had operating revenues of \$942,703 and operating expenses of \$1,635,887 during fiscal year 2020. The Academy also recognized non-operating revenue of \$237,865 from federal and State grants and entitlements and interest and fiscal charges of \$2,319 during the year.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2020?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

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

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations.

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

The required supplementary information provides detailed information regarding the Academy's proportionate share of the net pension liability and net OPEB liability/asset of the retirement systems and a ten year schedule of the Academy's contributions to the retirement systems to fund pension and OPEB obligations.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The table below provides a summary of the Academy's net position at June 30, 2020 and June 30, 2019.

	<b>Net Position</b>	
	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current assets	\$ 609,591	\$ 499,633
Non-current assets	<u>130,936</u>	<u>152,361</u>
Total assets	<u>740,527</u>	<u>651,994</u>
<b><u>Deferred outflows</u></b>	<u>770,614</u>	<u>778,863</u>
<b><u>Liabilities</u></b>		
Current liabilities	270,741	282,369
Long-term liabilities:		
Due within one year	18,044	17,166
Due in more than one year	202,568	37,012
Net pension liability	1,396,664	1,109,897
Net OPEB liability	<u>243,401</u>	<u>153,661</u>
Total liabilities	<u>2,131,418</u>	<u>1,600,105</u>
<b><u>Deferred inflows</u></b>	<u>197,855</u>	<u>173,246</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	31,516	39,904
Restricted	96,143	-
Unrestricted (deficit)	<u>(945,791)</u>	<u>(382,398)</u>
Total net position (deficit)	<u>\$ (818,132)</u>	<u>\$ (342,494)</u>

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2020, the Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position.

At June 30, 2020, capital assets represented 9.25 percent of total assets. Capital assets are used to provide services to students and are not available for future spending. Capital assets consist of equipment and vehicles.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The table below shows the changes in net position for the fiscal year 2020 and fiscal year 2019.

**Change in Net Position**

	2020	2019
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 916,605	\$ 1,160,743
Other	8,098	4,286
Total operating revenue	924,703	1,165,029
<b><u>Operating Expenses:</u></b>		
Salaries and wages	659,537	762,650
Fringe benefits	588,838	230,059
Purchased services	302,130	337,175
Materials and supplies	59,278	35,620
Other	550	775
Depreciation	25,554	22,971
Total operating expenses	1,635,887	1,389,250
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Federal and State grants	237,865	265,183
Interest and fiscal charges	(2,319)	(3,154)
Total non-operating revenues (expenses)	235,546	262,029
Change in net position	(475,638)	37,808
Net position (deficit) at beginning of year	(342,494)	(380,302)
Net position (deficit) at end of year	\$ (818,132)	\$ (342,494)

The revenue generated by community Academies is heavily dependent upon the per-pupil allotment determined by the State foundation program and federal entitlement programs. Foundation payments amounted to 78.84 percent of total revenues received during fiscal year 2020.

Operating expenses of the Academy increased \$246,637. This increase is primarily a result of the fluctuation in net pension liability and net OPEB liability and the associated deferred inflows and outflows, which is reflected in fringe benefit expense.

**Debt Administration**

At June 30, 2020 the Academy had long-term obligations including a capital lease for a bus of \$37,012, with \$18,044 due within one year. The Academy also had a paycheck protection loan outstanding of \$183,600. This entire loan is due in more than one year. See Note 10 in the notes to the basic financial statements for further detail relating to the Academy's long-term obligations.

**Capital Assets**

At June 30, 2020, the Academy had \$68,528 in capital assets, net of accumulated depreciation. The Academy had \$25,554 in depreciation expense. The Academy did not have any capital asset additions or disposals during the year. The Academy's capital assets consist of equipment and vehicles. See Note 11 in the notes to the basic financial statements for further detail relating to the Academy's capital assets.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Current Financial Related Activities**

The Academy is reliant upon State Foundation monies and State Grants to offer quality educational services to students.

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Academy of Educational Excellence's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Todd Johnson, Treasurer of the Academy, 728 Parkside Boulevard, Toledo, Ohio 43607.

THIS PAGE  
INTENTIONALLY LEFT BLANK

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 510,597
Receivables:	
Intergovernmental. . . . .	82,919
Prepayments . . . . .	<u>16,075</u>
Total current assets . . . . .	<u>609,591</u>
Non-current assets:	
Net OPEB asset. . . . .	62,408
Depreciable capital assets, net . . . . .	<u>68,528</u>
Total non-current assets. . . . .	<u>130,936</u>
Total assets. . . . .	<u>740,527</u>
 <b>Deferred outflows of resources:</b>	
Pension. . . . .	542,754
OPEB. . . . .	<u>227,860</u>
Total deferred outflows of resources . . . . .	<u>770,614</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	14,158
Accrued wages and benefits . . . . .	239,278
Pension and postemployment benefits payable. . . . .	16,240
Intergovernmental payable. . . . .	<u>1,065</u>
Total current liabilities . . . . .	<u>270,741</u>
Non-current liabilities:	
Long-term liabilities due in one year. . . . .	18,044
Long-term liabilities due in more than one year.	202,568
Net pension liability . . . . .	1,396,664
Net OPEB liability . . . . .	<u>243,401</u>
Total non-current liabilities . . . . .	<u>1,860,677</u>
Total liabilities . . . . .	<u>2,131,418</u>
 <b>Deferred inflows of resources:</b>	
Pension. . . . .	55,224
OPEB . . . . .	<u>142,631</u>
Total deferred inflows of resources . . . . .	<u>197,855</u>
 <b>Net position:</b>	
Net investment in capital assets . . . . .	31,516
Restricted for:	
State programs. . . . .	33,456
Federal programs . . . . .	30,447
Other purposes. . . . .	32,240
Unrestricted (deficit). . . . .	<u>(945,791)</u>
Total net position (deficit). . . . .	<u>\$ (818,132)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 916,605
Other . . . . .	8,098
Total operating revenues . . . . .	<u>924,703</u>
 <b>Operating expenses:</b>	
Salaries and wages. . . . .	659,537
Fringe benefits. . . . .	588,838
Purchased services. . . . .	302,130
Materials and supplies . . . . .	59,278
Other. . . . .	550
Depreciation . . . . .	25,554
Total operating expenses. . . . .	<u>1,635,887</u>
Operating loss. . . . .	<u>(711,184)</u>
 <b>Non-operating revenues (expenses):</b>	
Federal and State operating grants. . . . .	237,865
Interest and fiscal charges . . . . .	(2,319)
Total non-operating revenues (expenses) . . . . .	<u>235,546</u>
Change in net position . . . . .	(475,638)
<b>Net position (deficit) at beginning of year. . . . .</b>	<u>(342,494)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u><u>\$ (818,132)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 883,614
Cash received from other operations . . . . .	8,098
Cash payments for salaries and wages. . . . .	(663,297)
Cash payments for fringe benefits . . . . .	(203,666)
Cash payments for contractual services . . . . .	(306,761)
Cash payments for materials and supplies . . . . .	(58,526)
Cash payments for other expenses . . . . .	(550)
	(341,088)
Net cash used in operating activities. . . . .	(341,088)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State operating grants. . . . .	400,446
	400,446
Net cash provided by noncapital financing activities. . . . .	400,446
<b>Cash flows from capital and related financing activities:</b>	
Interest and fiscal charges . . . . .	(2,319)
Principal retirement on capital leases . . . . .	(17,166)
	(19,485)
Net cash used in capital and related financing activities. . . . .	(19,485)
Net increase in cash and cash equivalents. . . . .	39,873
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>470,724</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 510,597</b>
	510,597
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (711,184)
Adjustments:	
Depreciation . . . . .	25,554
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Intergovernmental receivable. . . . .	(32,991)
Prepayments . . . . .	(16,075)
Accounts payable. . . . .	(3,879)
Accrued wages and benefits . . . . .	(3,760)
Intergovernmental payable . . . . .	(54)
Pension and postemployment benefits payable. . . . .	(3,935)
Net pension liability . . . . .	286,767
Net OPEB asset . . . . .	(4,129)
Net OPEB liability . . . . .	89,740
Deferred outflows - pensions . . . . .	102,471
Deferred outflows - OPEB . . . . .	(94,222)
Deferred inflows - pensions. . . . .	(14,525)
Deferred inflows - OPEB. . . . .	39,134
	39,134
Net cash used in operating activities . . . . .	\$ (341,088)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE  
INTENTIONALLY LEFT BLANK**

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Academy of Educational Excellence (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to serve students in grades Kindergarten through 3 and ages 5 through 9. The Academy focuses on literacy and technology. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations.

The Academy was approved for sponsorship under contract resolution on March 15, 2012 with North Central Ohio Educational Service Center (the “Sponsor”) for a period of five years commencing on July 1, 2012. The sponsor contract was amended and renewed during fiscal year 2017. The term of this contract began on July 1, 2017 and ended on June 30, 2019. The contract was amended and renewed through June 30, 2021. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Governing Board. 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. The Board of Directors controls the Academy’s one instructional/support facility staffed by 9 non-certified and 12 certified teaching personnel who provide services to 109 students.

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

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

**A. Basis of Presentation**

The Academy’s basic financial statements consists of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

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

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

Enterprise accounting uses a “flow of economic resources” measurement focus. With this measurement focus, all assets and deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

**C. Budgetary Process**

Unlike traditional public Schools located in the State of Ohio, community academies are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed Academy budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705. The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

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

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, see Notes 6 and 7 for deferred outflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Notes 6 and 7 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

**E. Cash and Cash Equivalents**

All cash received by the Academy is maintained in demand deposit accounts. The Academy did not have any investments during fiscal year 2020.

**F. Capital Assets and Depreciation**

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 maintains a capitalization threshold of \$1,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful life:

<u>Description</u>	<u>Estimated Life</u>
Equipment	5 - 10 years
Vehicles	5 - 7 years

**G. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, which includes Economic Disadvantaged Funding and Limited English Proficiency Funding, which are reflected under “state foundation” on the statement of revenues, expenses and changes in net position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

**H. Operating Revenues and Expenses**

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

**I. Net Position**

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

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**J. Use of Estimates**

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

**K. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had \$16,075 of prepayments as of June 30, 2020.

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2020, the Academy has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

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. Due to the implementation of GASB Statement No. 84, the Academy will no longer be reporting agency funds. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Academy.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 - DEPOSITS**

At June 30, 2020, the carrying amount of all Academy deposits was \$510,597. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, the Academy's bank balance was \$515,280, of this \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC). \$265,280 of the Academy's bank balance was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Academy has no deposit policy for custodial credit.

The Academy had no investments.

**NOTE 5 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the Academy contracted with Citizens Insurance Company for general liability and property insurance and professional liability, and auto.

Coverage is as follows:

Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	2,000,000
Fire Damage Limit, Any One Fire	500,000
Personal and Advertising Injury Limit	1,000,000
Property Damage	100,000
School and Educators Liability	3,000,000
Business Automobile	1,000,000

Settled claims have not yet exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**B. Workers' Compensation**

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.



**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

The net pension liability represents the 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 liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

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

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The Academy's contractually required contribution to SERS was \$35,191 for fiscal year 2020. Of this amount, \$82 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers 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 website at [www.strsoh.org](http://www.strsoh.org).

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The Academy was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$40,938 for fiscal year 2020.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.00545550%	0.00362679%	
Proportion of the net pension liability current measurement date	<u>0.00941600%</u>	<u>0.00376808%</u>	
Change in proportionate share	<u>0.00396050%</u>	<u>0.00014129%</u>	
Proportionate share of the net pension liability	\$ 563,376	\$ 833,288	\$ 1,396,664
Pension expense	\$ 245,535	\$ 205,307	\$ 450,842

At June 30, 2020, 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	\$ 14,288	\$ 6,786	\$ 21,074
Changes of assumptions	-	97,885	97,885
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	174,889	172,777	347,666
Contributions subsequent to the measurement date	<u>35,191</u>	<u>40,938</u>	<u>76,129</u>
Total deferred outflows of resources	<u>\$ 224,368</u>	<u>\$ 318,386</u>	<u>\$ 542,754</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 3,606	\$ 3,606
Net difference between projected and actual earnings on pension plan investments	7,230	40,728	47,958
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>3,660</u>	<u>3,660</u>
Total deferred inflows of resources	<u>\$ 7,230</u>	<u>\$ 47,994</u>	<u>\$ 55,224</u>

\$76,129 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 year ending June 30, 2021.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 147,484	\$ 112,013	\$ 259,497
2022	30,843	74,125	104,968
2023	(481)	34,744	34,263
2024	4,101	8,572	12,673
Total	\$ 181,947	\$ 229,454	\$ 411,401

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

The target allocation and best estimates of arithmetic real rates of return for each major assets 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	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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

**Sensitivity of the 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 net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net pension liability	\$ 789,491	\$ 563,376	\$ 373,750

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

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

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 1,217,758	\$ 833,288	\$ 507,815

**NOTE 7 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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



**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

***Plan Description - Academy 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the Academy's surcharge obligation was \$5,961.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$5,961 for fiscal year 2020. Of this amount, \$5,961 is reported as pension and postemployment benefits payable.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2019, 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 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.00553880%	0.00362679%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.00967880%</u>	<u>0.00376808%</u>	
Change in proportionate share	<u>0.00414000%</u>	<u>0.00014129%</u>	
Proportionate share of the net OPEB liability	\$ 243,401	\$ -	\$ 243,401
Proportionate share of the net OPEB asset	\$ -	\$ (62,408)	\$ (62,408)
OPEB expense	\$ 46,950	\$ (10,466)	\$ 36,484

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 3,573	\$ 5,659	\$ 9,232
Net difference between projected and actual earnings on OPEB plan investments	582	-	582
Changes of assumptions	17,778	1,311	19,089
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	152,238	40,758	192,996
Contributions subsequent to the measurement date	<u>5,961</u>	<u>-</u>	<u>5,961</u>
Total deferred outflows of resources	<u>\$ 180,132</u>	<u>\$ 47,728</u>	<u>\$ 227,860</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 53,474	\$ 3,176	\$ 56,650
Net difference between projected and actual earnings on OPEB plan investments	-	3,920	3,920
Changes of assumptions	13,639	68,422	82,061
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 67,113</u>	<u>\$ 75,518</u>	<u>\$ 142,631</u>

\$5,961 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/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 22,455	\$ (6,259)	\$ 16,196
2022	20,796	(6,259)	14,537
2023	20,964	(4,688)	16,276
2024	20,938	(4,137)	16,801
2025	15,890	(6,756)	9,134
Thereafter	<u>6,015</u>	<u>309</u>	<u>6,324</u>
Total	<u>\$ 107,058</u>	<u>\$ (27,790)</u>	<u>\$ 79,268</u>

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - SERS*

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 295,443	\$ 243,401	\$ 202,022

  

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 195,014	\$ 243,401	\$ 307,600

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**Benefit Term Changes Since the Prior Measurement Date** - 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% to 1.984% 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% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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 Real 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>	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB asset	\$ 53,253	\$ 62,408	\$ 70,106
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB asset	\$ 70,768	\$ 62,408	\$ 52,170

**NOTE 8 - OPERATING LEASE**

The Roman Catholic Diocese of Toledo in America entered into a lease agreement with the North Central Ohio Educational Service Center and the Academy for a term beginning June 1, 2016 and ended on September 30, 2017. This agreement was, in substance, a rental agreement (operating lease) and was classified as purchased services in the financial statements. The Lessees obligation was \$300 per month for June-September 2016 and \$3,000 per month for the remainder of the lease. The current obligation for fiscal year 2020 is \$6,300 per month. The lease had two successive options to renew for an additional three years and was renewed through June 30, 2022.

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

During a prior fiscal year, the Academy entered into a capitalized lease for a bus. Capital assets acquired by lease have been originally capitalized in the amount of \$86,238, which represents the present value of the future minimum lease payments at the time of acquisition. Principal and interest payments in the 2020 fiscal year totaled \$17,166 and \$2,319 respectively.

The capitalized assets acquired through capital leases are as follows:

<b>Asset:</b>	
Bus	\$ 86,238
Less: accumulated depreciation	<u>(43,119)</u>
Total	<u>\$ 43,119</u>



**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2020.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 19,485
2022	<u>19,485</u>
Total minimum lease payments	38,970
Less: amount representing interest	<u>(1,958)</u>
Total	<u>\$ 37,012</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

The Academy's long-term obligations during the fiscal year consist of the following:

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>	<u>Due in One Year</u>
Capital Lease Obligation	\$ 54,178		\$ (17,166)	\$ 37,012	\$ 18,044
Federal Paycheck Protection Loan	-	183,600	-	183,600	-
Net Pension Liability	1,109,897	286,767	-	1,396,664	-
Net OPEB Liability	<u>153,661</u>	<u>89,740</u>	<u>-</u>	<u>243,401</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 1,317,736</u>	<u>\$ 560,107</u>	<u>\$ (17,166)</u>	<u>\$ 1,860,677</u>	<u>\$ 18,044</u>

During 2020, the Academy received a federal loan for \$183,600 as part of the paycheck protection program ("PPP"). The loan has an interest rate of 1% and a maturity of 2 years. The Academy may apply for loan forgiveness.

See Note 9 for detail on the capital lease obligation.

See Note 6 for detail on the net pension liability.

See Note 7 for detail on the net OPEB liability/asset.

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/19	Additions	Deductions	Balance 06/30/20
Capital assets, being depreciated:				
Equipment	\$ 34,001	\$ -	\$ -	\$ 34,001
Vehicles	<u>137,188</u>	<u>-</u>	<u>-</u>	<u>137,188</u>
Total capital assets being depreciated	<u>171,189</u>	<u>-</u>	<u>-</u>	<u>171,189</u>
Less: accumulated depreciation				
Equipment	(34,001)	-	-	(34,001)
Vehicles	<u>(43,106)</u>	<u>(25,554)</u>	<u>-</u>	<u>(68,660)</u>
Total accumulated depreciation	<u>(77,107)</u>	<u>(25,554)</u>	<u>-</u>	<u>(102,661)</u>
Capital assets, net	<u>\$ 94,082</u>	<u>\$ (25,554)</u>	<u>\$ -</u>	<u>\$ 68,528</u>

**NOTE 12 - CONTRACTS**

**Sponsor Contract**

The Academy entered into a sponsorship contract commencing on July 1, 2012 and ending on June 30, 2017 with North Central Ohio Educational Service Center. The sponsor contract with North Central Ohio Educational Service Center was amended and renewed during fiscal year 2017 and fiscal year 2019. The term of the current contract began on July 1, 2019 and ends on June 30, 2021.

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

- Provide technical assistance and monitor the Academy's compliance with all laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Report on at least an annual basis the results of the evaluation conducted to the Ohio Department of Education and to the parents/guardians of students enrolled in the Academy;
- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew the contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Develop a plan of action to be undertaken if the Academy experiences financial difficulties or closes prior to the end of the year;
- Evaluate the performance of the Academy according to standards set forth in the Assessment and Accountability Plan;

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 12 - CONTRACTS - (Continued)**

- Support the Academy’s establishment and operation as determined to be appropriate by the Sponsor at the Sponsor’s sole discretion;
- Notify the Academy within five business days of complaints or correspondence from the Ohio Department of Education concerning the Academy; and,
- Comply with the procedures for resolving disputes or differences of opinion between it and the Academy as set forth in the Governance and Administrative Plan.

**NOTE 13 - PURCHASED SERVICES**

For fiscal year 2020, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$	107,340
Property services		130,185
Travel/meetings		1,643
Communications		6,641
Utilities		10,702
Contracted services		44,976
Pupil transportation services		615
Other		<u>28</u>
Total	\$	<u><u>302,130</u></u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The Academy receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement 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 of the Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

**B. Litigation**

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

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 14 – CONTINGENCIES – (Continued)**

**C. 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 subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2020.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating school districts are limited to its representation on the Board. Financial information can be obtained by contacting NOECA, at 219 Howard Drive, Sandusky, Ohio 44870.

**NOTE 16 – SUBSEQUENT EVENT**

On May 27, 2021, the Academy formally changed its name from Academy of Educational Excellence to Ann Jerkins-Harris Academy of Excellence.

REQUIRED SUPPLEMENTARY INFORMATION

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net pension liability	0.00941600%	0.00545550%	0.00347520%	0.00181770%
Academy's proportionate share of the net pension liability	\$ 563,376	\$ 312,447	\$ 207,636	\$ 133,039
Academy's covered payroll	\$ 358,037	\$ 178,807	\$ 116,007	\$ 56,450
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	157.35%	174.74%	178.99%	235.68%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00183500%	0.00184200%	0.00184200%
\$ 104,707	\$ 93,223	\$ 109,538
\$ 55,243	\$ 53,521	\$ 48,526
189.54%	174.18%	225.73%
69.16%	71.70%	65.52%

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net pension liability	0.00376808%	0.00362679%	0.00268107%	0.00229299%
Academy's proportionate share of the net pension liability	\$ 833,288	\$ 797,450	\$ 636,894	\$ 767,533
Academy's covered payroll	\$ 395,464	\$ 484,300	\$ 331,629	\$ 238,921
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	210.71%	164.66%	192.05%	321.25%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00235634%	0.00190518%	0.00190518%
\$ 651,223	\$ 463,406	\$ 552,006
\$ 245,843	\$ 194,654	\$ 206,300
264.89%	238.07%	267.57%
72.10%	74.70%	69.30%

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 35,191	\$ 48,335	\$ 24,139	\$ 16,241
Contributions in relation to the contractually required contribution	<u>(35,191)</u>	<u>(48,335)</u>	<u>(24,139)</u>	<u>(16,241)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 251,364	\$ 358,037	\$ 178,807	\$ 116,007
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	13.50%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 7,903	\$ 7,281	\$ 7,418	\$ 6,716
<u>(7,903)</u>	<u>(7,281)</u>	<u>(7,418)</u>	<u>(6,716)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 56,450	\$ 55,243	\$ 53,521	\$ 48,526
14.00%	14.00%	13.18%	13.86%

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST EIGHT FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 40,938	\$ 55,365	\$ 67,802	\$ 46,428
Contributions in relation to the contractually required contribution	<u>(40,938)</u>	<u>(55,365)</u>	<u>(67,802)</u>	<u>(46,428)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 292,414	\$ 395,464	\$ 484,300	\$ 331,629
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 33,449	\$ 34,418	\$ 25,305	\$ 26,819
<u>(33,449)</u>	<u>(34,418)</u>	<u>(25,305)</u>	<u>(26,819)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 238,921	\$ 245,843	\$ 194,654	\$ 206,300
14.00%	14.00%	14.00%	13.00%

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability	0.00967880%	0.00553880%	0.00353620%	0.00205882%
Academy's proportionate share of the net OPEB liability	\$ 243,401	\$ 153,661	\$ 94,902	\$ 58,684
Academy's covered payroll	\$ 358,037	\$ 178,807	\$ 116,007	\$ 56,450
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	67.98%	85.94%	81.81%	103.96%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability/asset	0.00376808%	0.00362679%	0.00268107%	0.00229299%
Academy's proportionate share of the net OPEB liability/(asset)	\$ (62,408)	\$ (58,279)	\$ 104,605	\$ 122,630
Academy's covered payroll	\$ 395,464	\$ 484,300	\$ 311,629	\$ 238,921
Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	15.78%	12.03%	33.57%	51.33%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 5,961	\$ 7,835	\$ 3,905	\$ 1,972
Contributions in relation to the contractually required contribution	<u>(5,961)</u>	<u>(7,835)</u>	<u>(3,905)</u>	<u>(1,972)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 251,364	\$ 358,037	\$ 178,807	\$ 116,007
Contributions as a percentage of covered payroll	2.37%	2.19%	2.18%	1.70%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ 453	\$ 930	\$ 78
<u>-</u>	<u>(453)</u>	<u>(930)</u>	<u>(78)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 56,450	\$ 55,243	\$ 53,521	\$ 48,526
0.00%	0.82%	1.74%	0.16%

**ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST EIGHT FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 292,414	\$ 395,464	\$ 484,300	\$ 331,629
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Note: The Academy's first year of operation was 2013; therefore, information prior to 2013 is not applicable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ 1,947	\$ 2,063
-	-	(1,947)	(2,063)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 238,921	\$ 245,843	\$ 194,654	\$ 206,300
0.00%	0.00%	1.00%	1.00%

ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

ACADEMY OF EDUCATIONAL EXCELLENCE  
LUCAS COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
#REF!

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

**This page intentionally left blank.**

**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***

Academy of Educational Excellence  
Lucas County, Ohio  
728 Parkside Blvd.  
Toledo, Ohio 43607

To the Board of Directors:

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 Academy of Educational Excellence, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy of Educational Excellence's basic financial statements, and have issued our report thereon dated November 30, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Academy of Educational Excellence'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 of Educational Excellence's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy of Educational Excellence'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 Academy of Educational Excellence'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 of Educational Excellence'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 Academy of Educational Excellence'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 Academy of Educational Excellence's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
November 30, 2021



# OHIO AUDITOR OF STATE KEITH FABER



**ACADEMY FOR EDUCATIONAL EXCELLENCE**

**LUCAS COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/15/2022**

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)