

**MIAMI VALLEY ACADEMIES  
MONTGOMERY COUNTY**

**REGULAR AUDIT**

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



**Rea & associates**

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





OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Miami Valley Academies  
5656 Springboro Pike  
Dayton, Ohio 45449

We have reviewed the *Independent Auditor's Report* of Miami Valley Academies, Montgomery County, prepared by Rea & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Miami Valley Academies 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

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**Miami Valley Academies  
Montgomery County**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Miami Valley Academies  
5656 Springboro Pike  
Dayton, OH 45449

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

We have audited the accompanying financial statements of the Miami Valley Academies, Montgomery County, Ohio, (the “Academy”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy’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’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 Miami Valley Academies, Montgomery County, Ohio, as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio  
January 31, 2022



**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

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The discussion and analysis of the Miami Valley Academies' (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 financial statements and the notes to the financial statements to enhance their understanding of the Academy's financial performance.

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

**Financial Highlights**

- In total, net position increased \$345,937 which represents an increase of 23 percent from 2020.
- Total assets increased \$121,337 during 2021.
- Liabilities decreased \$77,441 during 2021.

Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability, pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are the largest liabilities reported by the Academy at June 30, 2021. 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 asset/liability (NOA/NOL) 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/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/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.

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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 assets/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. For STRS, the plan’s fiduciary net OPEB position was sufficient to cover the plan’s total OPEB liability resulting in a net OPEB asset that is allocated to each school based on its proportionate share. 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 reported by the retirement boards. 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 asset/liability, respectively, not accounted for as deferred inflows/outflows.

### **Using this Financial Report**

This report consists of three parts, the Required Supplementary Information, the financial statements, and notes to the financial statements. The financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

**Statement of Net Position**

The statement of net position answers the question of how well the Academy performed financially during 2021. This statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, both financial and capital and current and long-term, using the accrual basis of accounting, which is the accounting used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless of when the cash is received or expended.

Table 1 provides a summary of the Academy's net position for fiscal years 2021 and 2020.

**(Table 1)**  
**Statement of Net Position**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 313,726	\$ 183,498	\$ 130,228
Net OPEB Asset	66,451	75,342	(8,891)
<i>Total Assets</i>	<u>380,177</u>	<u>258,840</u>	<u>121,337</u>
<b>Deferred Outflows</b>	<u>412,597</u>	<u>394,895</u>	<u>17,702</u>
<b>Liabilities</b>			
Current Liabilities	190,884	285,021	(94,137)
Long Term Liabilities	1,228,598	1,211,902	16,696
<i>Total Liabilities</i>	<u>1,419,482</u>	<u>1,496,923</u>	<u>(77,441)</u>
<b>Deferred Inflows</b>	<u>553,292</u>	<u>682,749</u>	<u>(129,457)</u>
<b>Net Position</b>			
Restricted for Other Purposes	136,853	148,347	(11,494)
Unrestricted	<u>(1,316,853)</u>	<u>(1,674,284)</u>	<u>357,431</u>
<i>Total Net Position</i>	<u>\$ (1,180,000)</u>	<u>\$ (1,525,937)</u>	<u>\$ 345,937</u>

Current assets increased during 2021 due to increases in cash and grant funding receivable due to timing of grant drawdowns in addition to new grants awarded through CARES Act. Current liabilities decreased during 2021 primarily due to decreased accounts payable associated with timing of paying outstanding invoices at fiscal year-end.

There was a significant change in net pension/OPEB liability/asset for the Academy. These fluctuations are due to changes in the retirement systems unfunded liabilities that are passed through to the Academy's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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

**Statement of Revenues, Expenses, and Changes in Net Position**

Table 2 shows the change in net position for fiscal years 2021 and 2020.

**(Table 2)**  
**Change in Net Position**

	2021	2020	Change
Operating Revenue	\$ 1,146,282	\$ 1,213,494	\$ (67,212)
Non-Operating Revenue	793,168	477,024	316,144
Total Revenue	1,939,450	1,690,518	248,932
Operating Expenses	1,593,513	1,366,345	227,168
Change In Net Position	\$ 345,937	\$ 324,173	\$ 21,764

The Academy's operating revenues in 2021 were based on the Academy's full-time equivalent (FTE). The increase in non-operating revenue was primarily due to an increase in federal grants related to CARES Act. The Academy's most significant expenses, "Purchased services" are a result of the management agreement in place between the Academy and EEG, LLC. Effective July 1, 2017, the Academy entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The agreement provides that specific percentages of the revenues received by the Academy will be paid to EEG, LLC to fund operations (see notes to the financial statements, note 8).

The changes in Pension and OPEB and negative Pension and OPEB expense are primarily associated to changes in the Academy's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

**Capital Assets**

At June 30, 2021, capital assets of the Academy consisted of \$1,028,010 of equipment and leasehold improvements which are fully depreciated.

For more information on capital assets, see note 6 in the notes to the financial statements.

**Current Financial Issues**

Miami Valley Academies received revenue for 128 students in 2021 and 129 students in 2020. State law governing community schools allows for the Academy to have open enrollment across traditional school district boundaries.

The Academy receives its support almost entirely from state aid on a per pupil basis. The Academy receives additional revenues from grant subsidies.

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*Management's Discussion and Analysis*  
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Although there is a possibility that state aid will be cut in future years due to the economic climate, the Academy feels that the relationship with the management company will insulate them from any significant change.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the Academy.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our readers with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Fiscal Officer at 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Statement of Net Position*  
*June 30, 2021*

**ASSETS**

Current Assets

Cash & Cash Equivalents	\$	150,190
Accounts Receivable		877
Grant Funding Receivable		136,853
Intergovernmental Receivable		25,806
<i>Total Current Assets</i>		313,726

Noncurrent Assets

Net OPEB Asset		66,451
		66,451

**Total Assets**

380,177

**DEFERRED OUTFLOWS OF RESOURCES**

Pension		357,064
OPEB		55,533
<b>Total Deferred Outflows of Resources</b>		412,597

**LIABILITIES**

Current Liabilities

Accounts Payable		112,585
Purchased Services: Accrued Wages		68,833
Intergovernmental Payable		9,466
<i>Total Current Liabilities</i>		190,884

Long Term Liabilities

Net Pension Liability		1,154,266
Net OPEB Liability		74,332
<i>Total Long Term Liabilities</i>		1,228,598

**Total Liabilities**

1,419,482

**DEFERRED INFLOWS OF RESOURCES**

Pension		354,217
OPEB		199,075
<b>Total Deferred Inflows of Resources</b>		553,292

**NET POSITION**

Restricted for Other Purposes		136,853
Unrestricted Net Position		(1,316,853)
<b>Total Net Position</b>	\$	(1,180,000)

See accompanying notes to the basic financial statements.



**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2021*

**OPERATING REVENUES**

State Basic Aid	\$ 1,110,403
Facilities Aid	30,417
Casino Revenue	5,462
	1,146,282
<b>Total Operating Revenues</b>	<b>1,146,282</b>

**OPERATING EXPENSES**

Purchased Services: Management Fees	928,803
Purchased Services: Other	486,675
Pension & OPEB	(37,015)
Supplies And Materials	186,373
Other Expenses	28,677
	1,593,513
<b>Total Operating Expenses</b>	<b>1,593,513</b>
<b>Operating Income (Loss)</b>	<b>(447,231)</b>

**NON-OPERATING REVENUES**

Federal and State Grants	787,411
Miscellaneous Revenue	5,757
	793,168
<b>Total Non-Operating Revenues</b>	<b>793,168</b>
<b>Change In Net Position</b>	<b>345,937</b>
<b>Net Position Beginning of Year</b>	<b>(1,525,937)</b>
<b>Net Position End of Year</b>	<b>\$ (1,180,000)</b>

See accompanying notes to the basic financial statements.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2021*

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State Aid	\$ 1,146,282
Cash Payments to Management Company	(1,116,750)
Cash Payments to Suppliers for Goods and Services	(673,296)
Other Cash Payments	(28,677)
	(672,441)
Net Cash Used For Operating Activities	(672,441)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received From Grant Programs	768,918
Cash Received From Miscellaneous Revenue	5,757
	774,675
Net Cash Provided by Noncapital Financing Activities	774,675
Net Increase/(Decrease) in Cash and Cash Equivalents	102,234
Cash and Cash Equivalents at Beginning of Year	47,956
Cash and Cash Equivalents at End of Year	\$ 150,190

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (447,231)
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**ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES**

Changes in Assets, Liabilities, and Deferred Outflows/Inflows:	
Accounts Receivable	(248)
Intergovernmental Receivable	(9,253)
Deferred Outflows of Resources	(17,702)
Deferred Inflows of Resources	(129,457)
Net OPEB Asset	8,891
Net Pension/OPEB Liability	16,696
Accounts Payable	(78,531)
Accrued Wages and Benefits	(15,606)
	(225,210)
Total Adjustments	(225,210)
Net Cash Used For Operating Activities	\$ (672,441)

See accompanying notes to the basic financial statements.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

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

The Academy contracts with Educational Empowerment Group, LLC (EEG, LLC) for most of its functions (see Note 8).

The Academy signed a contract with The Educational Resource Consultants of Ohio, Inc. (ERCO) (Sponsor) to operate for a period from July 1, 2018 through June 30, 2021 and was renewed through June 30, 2024. The Academy operates under a self-appointing five-member Board of Directors (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The academy has one instructional/support facility to provide education services to 128 students.

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

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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.

***Basis of Presentation***

The Academy's financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in Net Position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources as well as all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

***Budgetary Process***

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

***Cash and Cash Equivalents***

All cash received by the Academy is maintained in a demand deposit account.

***Intergovernmental Revenues***

The Academy currently participates in the State Foundation Program, facilities aid, and casino tax distributions, which are reflected under “Operating revenues” on the Statement of Revenues, Expenses, and Changes in Net Position. Revenues received from these programs are recognized as operating revenue 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.

***Prepaid***

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Capital Assets and Depreciation***

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000. Depreciation is computed by the straight-line method over five years for equipment and 5-10 years for leasehold improvements.

Aside from those mentioned above, the Academy has no other capital assets, as the Academy operates under a management agreement with EEG, LLC (see note 8).

***Use of Estimates***

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Net Position***

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position consists of restricted for grant programs and unrestricted. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the Academy's primary activities. For the Academy, these revenues are primarily state aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

***Pensions and Other Postemployment Benefits (OPEB)***

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the

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**Montgomery County, Ohio**  
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*For the Fiscal Year Ended June 30, 2021*

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Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources include pension and OPEB, which are reported on the statement of net position. (See Notes 11 and 12).

**NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

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

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial 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 improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The Academy's deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2021 consisted of accounts, grant funding, and intergovernmental. All receivables are considered collectible in full.



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**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2021, the Academy’s capital assets consisted of the following:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
<b><i>Capital Assets, Being Depreciated:</i></b>				
Leasehold Improvements	\$ 674,512	\$ -	\$ -	\$ 674,512
Equipment	353,498	-	-	353,498
<b><i>Total Capital Assets, Being Depreciated</i></b>	<b>1,028,010</b>	<b>-</b>	<b>-</b>	<b>1,028,010</b>
<b><i>Less Accumulated Depreciation:</i></b>				
Leasehold Improvements	(674,512)	-	-	(674,512)
Equipment	(353,498)	-	-	(353,498)
<b><i>Total Accumulated Depreciation</i></b>	<b>(1,028,010)</b>	<b>-</b>	<b>-</b>	<b>(1,028,010)</b>
<b><i>Capital Assets, Net</i></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 7 - RISK MANAGEMENT**

***Property and Liability*** - The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with EEG, LLC, EEG, LLC has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (see note 8). There have been no settlement claims exceeding coverage in the past three years, nor has there been a reduction in insurance coverage from the prior year.

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

**NOTE 8 - AGREEMENT WITH EDUCATIONAL EMPOWERMENT GROUP, LLC**

Effective June 1, 2017, the Academy entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The term of the Agreement with EEG, LLC is for 2 years and will renew for additional two year terms unless one party notifies the other party no later than six months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the Academy have been contracted to EEG, LLC. EEG, LLC is responsible and accountable to the Academy’s Board of Directors for the administration and operation of the Academy. The Academy is required to pay EEG, LLC a monthly continuing fee of 13 percent of the Academy's “Qualified gross revenues”, defined in the Agreement the revenue per student received by the Academy from the State pursuant to the Ohio Revised Code. The continuing fee is paid to EEG, LLC based on the qualified gross revenues.

The Academy had purchased services for the year ended June 30, 2021, to EEG, LLC, of \$928,803. EEG, LLC will be responsible for procuring the educational program at the Academy, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the Academy or reimbursed to EEG, LLC.

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**NOTE 9 - SPONSORSHIP FEES**

Under Paragraph D(4) of the sponsor contract with ERCO, it states that the Academy "...shall pay to the Sponsor, the amount of three percent (3%) of all state funds received each year, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract." Such fees are paid to the ERCO monthly. As indicated on the statement of revenues, expenses, and changes in Net Position, the Academy incurred \$33,303 in sponsorship fees to ERCO.

**NOTE 10 - PURCHASED SERVICES**

For the year ended June 30, 2021, purchased service expenses were as follows:

<b>Purchased Services</b>	<b>Amount</b>
<b>Direct Expenses:</b>	
Personnel services	\$ 676,730
Professional services	449,490
Building services	187,280
Food service	68,675
Sponsor services	33,303
<b>Total</b>	<b>\$ 1,415,478</b>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

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

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from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The Academy's contractually required contribution to SERS was \$14,424 for fiscal year 2021.

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

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit

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payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

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

The Academy's contractually required contribution to STRS was \$74,793 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00361970%	0.00378093%	
Prior Measurement Date	0.00239920%	0.00454866%	
Change in Proportionate Share	0.00122050%	-0.00076773%	
Proportionate Share of the Net			
Pension Liability	\$ 239,415	\$ 914,851	\$ 1,154,266
Pension Expense	\$ 57,941	\$ (66,144)	\$ (8,203)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the Academy's proportion of the collective net pension

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

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 466	\$ 2,053	\$ 2,519
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	15,200	44,491	59,691
Changes of Assumptions	-	49,109	49,109
Changes in Proportion and Differences between			
Academy Contributions and Proportionate			
Share of Contributions	43,811	112,717	156,528
Academy Contributions Subsequent to the			
Measurement Date	14,424	74,793	89,217
<b>Total Deferred Outflows of Resources</b>	<u>\$ 73,901</u>	<u>\$ 283,163</u>	<u>\$ 357,064</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ -	\$ 5,849	\$ 5,849
Changes in Proportion and Differences between			
Academy Contributions and Proportionate			
Share of Contributions	543	347,825	348,368
<b>Total Deferred Inflows of Resources</b>	<u>\$ 543</u>	<u>\$ 353,674</u>	<u>\$ 354,217</u>

\$89,217 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ 26,997	\$ (151,041)	\$ (124,044)
2023	20,845	(13,942)	6,903
2024	6,333	31,104	37,437
2025	4,759	(11,425)	(6,666)
	<u>\$ 58,934</u>	<u>\$ (145,304)</u>	<u>\$ (86,370)</u>



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***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.

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

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

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

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

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

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

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

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

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Academy's Proportionate Share of the Net Pension Liability	\$ 327,969	\$ 239,415	\$ 165,116

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

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

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

**Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the Academy's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Academy's Proportionate Share of the Net Pension Liability	\$ 1,302,588	\$ 914,851	\$ 586,275

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**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

See Note 11 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was \$2,064.

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

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00342000%	0.00378100%	
Prior Measurement Date	0.00248300%	0.00454900%	
Change in Proportionate Share	<u>0.00093700%</u>	<u>-0.00076800%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 74,332	\$ (66,451)	
OPEB Expense	\$ 6,964	\$ (29,052)	\$ (22,088)

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 977	\$ 4,259	\$ 5,236
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	838	2,326	3,164
Changes of Assumptions	12,671	1,098	13,769
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	29,307	1,993	31,300
Academy Contributions Subsequent to the Measurement Date	2,064	-	2,064
<b>Total Deferred Outflows of Resources</b>	<u>\$ 45,857</u>	<u>\$ 9,676</u>	<u>\$ 55,533</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 37,801	\$ 13,236	\$ 51,037
Changes of Assumptions	1,872	63,116	64,988
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	544	82,506	83,050
<b>Total Deferred Inflows of Resources</b>	<u>\$ 40,217</u>	<u>\$ 158,858</u>	<u>\$ 199,075</u>

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\$2,064 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ 971	\$ (42,261)	\$ (41,290)
2023	1,029	(40,683)	(39,654)
2024	1,018	(40,128)	(39,110)
2025	(194)	(19,910)	(20,104)
2026	115	(2,812)	(2,697)
Thereafter	637	(3,388)	(2,751)
	\$ 3,576	\$ (149,182)	\$ (145,606)

***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, 2020, are presented below:



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

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	\$ 90,975	\$ 74,332	\$ 61,093
	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	\$ 58,527	\$ 74,332	\$ 95,457

**Actuarial Assumptions – STRS**

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

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

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

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

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

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

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

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

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

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

**Miami Valley Academies**  
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	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	\$ (57,817)	\$ (66,451)	\$ (73,777)

  

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	\$ (73,322)	\$ (66,451)	\$ (58,081)

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

**NOTE 13 - CONTINGENCIES**

***Grants***

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

***School Foundation***

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 a review on the Academy for fiscal year 2021.

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

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

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

***Litigation***

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

**NOTE 14 - OPERATING LEASE**

The Academy leases its facilities from B.F. Hill Investments, Inc. under a six-year cancellable lease agreement beginning July 1, 2002 through June 30, 2008 that was extended on a monthly basis for 2009 through 2017. The lease was renewed through June 30, 2022 for a minimum rent of \$100,004 per fiscal year. Rent for fiscal year 2021 totaled \$100,004.

**NOTE 15 - MANAGEMENT COMPANY EXPENSES**

As of June 30, 2021, Educational Empowerment, LLC and its affiliates incurred the following expenses on behalf of the Academy:

Miami Valley Academies	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<i>Direct expenses:</i>					
Salaries & wages (100 object codes)	\$ 485,966	\$ 16,902	\$ 248,194	\$ 21,480	\$ 772,542
Employees' benefits (200 object codes)	-	-	-	5,936	5,936
Professional & technical services (410 object codes)	-	-	-	4,291	4,291
Property services (420 object codes)	-	-	-	1,214	1,214
Supplies (500 object codes)	-	-	-	5,806	5,806
Other direct costs (All other object codes)	-	-	-	68,646	68,646
Overhead	-	-	-	154,963	154,963
<b>Total expenses</b>	<b>\$ 485,966</b>	<b>\$ 16,902</b>	<b>\$ 248,194</b>	<b>\$ 262,336</b>	<b>\$ 1,013,398</b>

Overhead charges are assigned to the Academy based on a percentage of full time equivalent head count. These charges represent the indirect cost of services provided in the operation of the Academy. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, marketing and communications.

**NOTE 16 – COVID-19**

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

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Basic Financial Statements*  
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**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.

## **Required Supplementary Information**

**Miami Valley Academics**  
**Montgomery County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net Pension Liability*  
*Last Eight Fiscal Years (1)*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Academy's Proportion of the Net Pension Liability	0.00361970%	0.00239920%	0.00245390%	0.00200370%
Academy's Proportionate Share of the Net Pension Liability	\$ 239,415	\$ 143,548	\$ 140,539	\$ 119,717
Academy's Covered Payroll	\$ 121,864	\$ 84,274	\$ 84,681	\$ 38,286
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	196.46%	170.33%	165.96%	312.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Academy's Proportion of the Net Pension Liability	0.00378093%	0.00454866%	0.00356008%	0.00447768%
Academy's Proportionate Share of the Net Pension Liability	\$ 914,851	\$ 1,005,909	\$ 782,782	\$ 1,063,682
Academy's Covered Payroll	\$ 456,300	\$ 534,029	\$ 404,721	\$ 492,264
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	193.41%	216.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to required supplementary information.



<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.00205800%	0.00225900%	0.00211600%	0.00211600%
\$ 150,627	\$ 128,901	\$ 107,090	\$ 125,832
\$ 57,586	\$ 86,373	\$ 49,524	\$ 51,763
261.57%	149.24%	216.24%	243.09%
62.98%	69.16%	71.70%	65.52%
0.00707950%	0.00703629%	0.00691020%	0.00691020%
\$ 2,369,722	\$ 1,944,625	\$ 1,680,800	\$ 2,002,158
\$ 694,729	\$ 818,914	\$ 715,477	\$ 1,053,962
341.10%	237.46%	234.92%	189.96%
66.80%	72.10%	74.70%	69.30%

See accompanying notes to required supplementary information.

**Miami Valley Academics**  
**Montgomery County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Contributions - Pension*  
*Last Ten Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 14,424	\$ 17,061	\$ 11,377	\$ 11,432
Contributions in Relation to the Contractually Required Contribution	<u>(14,424)</u>	<u>(17,061)</u>	<u>(11,377)</u>	<u>(11,432)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 103,029	\$ 121,864	\$ 84,274	\$ 84,681
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 74,793	\$ 63,882	\$ 74,764	\$ 56,661
Contributions in Relation to the Contractually Required Contribution	<u>(74,793)</u>	<u>(63,882)</u>	<u>(74,764)</u>	<u>(56,661)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 534,236	\$ 456,300	\$ 534,029	\$ 404,721
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 5,360	\$ 8,062	\$ 11,384	\$ 6,864	\$ 7,164	\$ 6,619
<u>(5,360)</u>	<u>(8,062)</u>	<u>(11,384)</u>	<u>(6,864)</u>	<u>(7,164)</u>	<u>(6,619)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 38,286	\$ 57,586	\$ 86,373	\$ 49,524	\$ 51,763	\$ 49,212
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
\$ 68,917	\$ 97,262	\$ 114,648	\$ 93,012	\$ 137,015	\$ 153,139
<u>(68,917)</u>	<u>(97,262)</u>	<u>(114,648)</u>	<u>(93,012)</u>	<u>(137,015)</u>	<u>(153,139)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 492,264	\$ 694,729	\$ 818,914	\$ 715,477	\$ 1,053,962	\$ 1,177,992
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to required supplementary information.

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**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Proportionate Share of the Net OPEB Liability/(Asset)*  
*Last Five Fiscal Years (1)*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>					
Academy's Proportion of the Net OPEB Liability	0.00342000%	0.00248300%	0.00251000%	0.00204160%	0.00193936%
Academy's Proportionate Share of the Net OPEB Liability	\$ 74,332	\$ 62,445	\$ 69,626	\$ 54,791	\$ 55,279
Academy's Covered Payroll	\$ 121,864	\$ 84,274	\$ 84,681	\$ 38,286	\$ 57,586
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	61.00%	74.10%	82.22%	208.67%	95.99%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>					
Academy's Proportion of the Net OPEB Liability/(Asset)	0.00378100%	0.00454900%	0.00356000%	0.00447768%	0.00707950%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (66,451)	\$ (75,342)	\$ (57,207)	\$ 174,703	\$ 378,614
Academy's Covered Payroll	\$ 456,300	\$ 534,029	\$ 404,721	\$ 492,264	\$ 694,729
Academy's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	35.49%	54.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to required supplementary information.

**Miami Valley Academics**  
**Montgomery County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Academy's Contributions - OPEB*  
*Last Ten Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution (1)	\$ 2,064	\$ 608	\$ 2,051	\$ 1,869
Contributions in Relation to the Contractually Required Contribution	<u>(2,064)</u>	<u>(608)</u>	<u>(2,051)</u>	<u>(1,869)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 103,029	\$ 121,864	\$ 84,274	\$ 84,681
OPEB Contributions as a Percentage of Covered Payroll (1)	2.00%	0.50%	2.43%	2.21%
<b><i>State Teachers Retirement System (STRS)</i></b>				
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	\$ 534,236	\$ 456,300	\$ 534,029	\$ 404,721
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,151	\$ 354	\$ 944	\$ 471	\$ 492	\$ 287
<u>(1,151)</u>	<u>(354)</u>	<u>(944)</u>	<u>(471)</u>	<u>(492)</u>	<u>(287)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 38,286	\$ 57,586	\$ 86,373	\$ 49,524	\$ 51,763	\$ 49,212
3.01%	0.61%	1.09%	0.95%	0.95%	0.58%
\$ -	\$ -	\$ -	\$ 7,155	\$ 10,540	\$ 11,780
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,155)</u>	<u>(10,540)</u>	<u>(11,780)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 492,264	\$ 694,729	\$ 818,914	\$ 715,477	\$ 1,053,962	\$ 1,177,992
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

See accompanying notes to required supplementary information.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 1 - NET PENSION LIABILITY**

***Changes in Assumptions - SERS***

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

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

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

***Changes in Assumptions – STRS***

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

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

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

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

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

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



**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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

***Changes in Assumptions – SERS***

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

Municipal Bond Index Rate:

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

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

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

Pre-Medicare

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

Medicare

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

***Changes in Assumptions – STRS***

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

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

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees

**Miami Valley Academies**  
**Montgomery County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

There have been no changes to the benefit provisions.

***Changes in Benefit Terms – STRS***

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

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

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

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

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

To the Board of Directors  
Miami Valley Academies  
5656 Springboro Pike  
Dayton, OH 45449

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 Miami Valley Academies, Montgomery County, Ohio (the “Academy”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated January 31, 2022.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Rea & Associates, Inc.  
Dublin, Ohio  
January 31, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**MIAMI VALLEY ACADEMIES**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



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

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)