



OHIO AUDITOR OF STATE
KEITH FABER



**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY
JUNE 30, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements.....	13
Required Supplementary Information:	
Schedule of the Academy’s Proportionate Share of the Net Pension Liability School Employees Retirement System (SERS) of Ohio.....	40
Schedule of the Academy’s Proportionate Share of the Net Pension Liability State Teachers Retirement System (STRS) of Ohio.....	42
Schedule of Academy Pension Contributions School Employees Retirement System (SERS) of Ohio	44
Schedule of Academy Pension Contributions State Teachers Retirement System (STRS) of Ohio.....	46
Schedule of the Academy’s Proportionate Share of the Net OPEB Liability School Employees Retirement System (SERS) of Ohio.....	48
Schedule of the Academy’s Proportionate Share of the Net OPEB Liability/ Asset State Teachers Retirement System (STRS) of Ohio.....	49
Schedule of Academy OPEB Contributions School Employees Retirement System (SERS) of Ohio	50
Schedule of Academy OPEB Contributions State Teachers Retirement System (STRS) of Ohio.....	52
Notes to Required Supplementary Information	54
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57

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INDEPENDENT AUDITOR'S REPORT

Dayton Early College Academy, Inc.
Montgomery County
300 College Park
Dayton, Ohio 45649

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Early College Academy, Inc., Montgomery County, Ohio (the Academy), as of and for the fiscal 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy, as of June 30, 2021, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2022

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

Financial Highlights

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

- In total, net position was \$4,066,159 at June 30, 2021.
- The Academy had operating revenues of \$2,761,316, operating expenses of \$3,815,556, non-operating revenues and contributions and donations of \$3,920,274 and non-operating expenses of \$79,562 for the fiscal year ended June 30, 2021.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

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

These two statements report the Academy's net position and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-38 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 40-55 of this report.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

Net Position

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets	\$ 3,633,226	\$ 3,506,169
Non-current assets	246,850	219,610
Capital assets, net	<u>5,891,432</u>	<u>3,479,866</u>
Total assets	<u>9,771,508</u>	<u>7,205,645</u>
<u>Deferred Outflows of Resources</u>	<u>899,073</u>	<u>704,858</u>
<u>Liabilities</u>		
Current liabilities	1,468,867	942,012
Non-current liabilities	<u>4,011,016</u>	<u>3,770,407</u>
Total liabilities	<u>5,479,883</u>	<u>4,712,419</u>
<u>Deferred Inflows of Resources</u>	<u>1,124,539</u>	<u>1,918,397</u>
<u>Net Position</u>		
Net investment in capital assets	5,275,477	3,001,482
Restricted	543,957	361,223
Unrestricted (deficit)	<u>(1,753,275)</u>	<u>(2,083,018)</u>
Total net position	<u>\$ 4,066,159</u>	<u>\$ 1,279,687</u>

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2021, the Academy’s net position totaled \$4,066,159.

At year-end, capital assets represented 60.29% of total assets. Capital assets consisted of construction in progress, buildings and improvements, equipment and vehicles. Net investment in capital assets at June 30, 2021, was \$5,275,477. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

Change in Net Position

	<u>2021</u>	<u>2020</u>
<u>Operating revenues:</u>		
State foundation	\$ 2,692,351	\$ 2,672,442
Charges for services	-	4,689
Other	<u>68,965</u>	<u>55,689</u>
Total operating revenues	<u>2,761,316</u>	<u>2,732,820</u>
<u>Operating expenses:</u>		
Personnel services	2,158,479	1,737,035
Purchased services	993,987	951,811
Materials and supplies	227,940	96,588
Other operating expenses	318,158	315,088
Depreciation	<u>116,992</u>	<u>82,116</u>
Total operating expenses	<u>3,815,556</u>	<u>3,182,638</u>
<u>Non-operating revenues/(expenses):</u>		
Intermediate, state and federal grants	1,183,302	1,074,562
Earnings on investments	11,865	40,811
Intergovernmental expense	(76,233)	(13,483)
Donations and contributions	2,725,107	2,357,755
Interest and fiscal charges	<u>(3,329)</u>	<u>(4,572)</u>
Total non-operating revenues/(expenses)	<u>3,840,712</u>	<u>3,455,073</u>
Capital contributions	<u>-</u>	<u>543,951</u>
Change in net position	2,786,472	3,549,206
Net position at beginning of year	<u>1,279,687</u>	<u>(2,269,519)</u>
Net position at end of year	<u>\$ 4,066,159</u>	<u>\$ 1,279,687</u>

Operating revenues of the Academy increased slightly by \$28,496 or 1.04%. This increase can mainly be attributed to an increase in State foundation revenue. State foundation revenue rose due to more students served by the Academy compared to fiscal year 2020.

Expenses increased \$632,918 or 19.89%. This increase is the result of an increase in pension and OPEB expense compared to fiscal year 2020. The Academy also showed increases in purchased services due to greater amounts spent on property services and an increase in deprecation expense due to renovations.

Intermediate, state and federal grants increased \$108,740 due mainly to an increase in Elementary and Secondary School Emergency Relief (ESSER) funding. The increase in donations and contributions was the result of additional amounts received from the Dayton Foundation compared to the previous fiscal year.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

Capital Assets

At June 30, 2021, the Academy had \$5,891,432 invested in construction in progress, buildings and improvements, equipment and vehicles. See Note 7 to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2021, the Academy had \$52,646 in capital leases and notes outstanding. Of this total, \$26,839 is due in one year and \$25,807 is due in more than one year. See Notes 6 and 9 to the basic financial statements for more detail on debt.

Current Financial Related Activities

The Academy is sponsored by the Thomas B. Fordham Foundation. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors 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 financial information contact Mr. Steven A. Hinshaw, Ph.D., Treasurer, Dayton Early College Academy 300 College Park Dayton, OH 45469-2930.

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**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2021

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 1,842,882
Cash with fiscal agent	1,386,047
Receivables:	
Accounts	600
Intergovernmental	400,676
Prepayments	<u>3,021</u>
Total current assets	<u>3,633,226</u>
Non-current assets:	
Net OPEB asset	246,850
Capital assets:	
Nondepreciable capital assets	1,882,947
Depreciable capital assets, net	<u>4,008,485</u>
Total capital assets	<u>5,891,432</u>
Total non-current assets	<u>6,138,282</u>
Total assets	<u>9,771,508</u>
 Deferred outflows of resources:	
Pension	813,412
OPEB	<u>85,661</u>
Total deferred outflows of resources	<u>899,073</u>
 Liabilities:	
Current liabilities:	
Accounts payable	148,788
Contracts payable	518,564
Retainage payable	44,745
Accrued wages and benefits	204,718
Pension and postemployment benefits payable	25,749
Intergovernmental payable	1,809
Notes payable	497,655
Capital leases obligation	<u>26,839</u>
Total current liabilities	<u>1,468,867</u>
Non-current liabilities:	
Capital leases obligation	25,807
Net pension liability	3,842,810
Net OPEB liability	<u>142,399</u>
Total non-current liabilities	<u>4,011,016</u>
Total liabilities	<u>5,479,883</u>
 Deferred inflows of resources:	
Pension	535,644
OPEB	<u>588,895</u>
Total deferred inflows of resources	<u>1,124,539</u>
 Net position:	
Net investment in capital assets	5,275,477
Restricted for:	
Restricted for public school support	3,779
Restricted for state programs	211,230
Restricted for federal programs	153,284
Restricted for food service operations	108,111
Restricted for other operations	67,553
Unrestricted (deficit)	<u>(1,753,275)</u>
Total net position	<u>\$ 4,066,159</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

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

Operating revenues:	
State foundation	\$ 2,692,351
Other	68,965
Total operating revenues	<u>2,761,316</u>
 Operating expenses:	
Personnel services	2,158,479
Purchased services	993,987
Materials and supplies	227,940
Other operating expenses	318,158
Depreciation	116,992
Total operating expenses	<u>3,815,556</u>
 Operating loss	 <u>(1,054,240)</u>
 Non-operating revenues (expenses):	
Intermediate, state and federal grants	1,183,302
Earnings on investments	11,865
Intergovernmental expense	(76,233)
Donations and contributions	2,725,107
Interest and fiscal charges	(3,329)
Total non-operating revenues (expenses)	<u>3,840,712</u>
 Change in net position	 2,786,472
 Net position at beginning of year	 <u>1,279,687</u>
Net position at end of year	<u><u>\$ 4,066,159</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DAYTON EARLY COLLEGE ACADEMY
MONTGOMERY COUNTY**

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

Cash flows from operating activities:	
Cash received from foundation	\$ 2,717,138
Cash received from other operations	61,562
Cash payment for personnel services	(2,614,986)
Cash payments for purchased services	(1,063,104)
Cash payments to suppliers for goods and supplies	(212,986)
Cash payments for other expenses	(269,177)
	<hr/>
Net cash used in operating activities	(1,381,553)
Cash flows from noncapital financing activities:	
Cash received from intermediate, state and federal grants	1,102,210
Cash used for intergovernmental purposes	(76,233)
Cash received from donations and contributions	2,725,107
	<hr/>
Net cash provided by noncapital financing activities	3,751,084
Cash flows from capital and related financing activities:	
Interest paid on capital leases	(3,329)
Principal paid on capital leases	(25,532)
Acquisition of capital assets	(2,365,455)
	<hr/>
Net cash used in capital and related financing activities	(2,394,316)
Cash flows from investing activities:	
Interest received	11,865
	<hr/>
Net cash provided by investing activities	11,865
Net change in cash and cash equivalents	(12,920)
Cash and cash equivalents at beginning of year	3,241,849
Cash and cash equivalents at end of year	\$ 3,228,929
	<hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,054,240)
Adjustments:	
Depreciation	116,992
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(377)
Intergovernmental receivable	(55,487)
Prepayments	(3,021)
Net OPEB asset	(27,240)
Deferred outflows of resources - pension	(147,510)
Deferred outflows of resources - OPEB	(46,705)
Accounts payable	72,314
Accrued wages and benefits	(2,906)
Intergovernmental payable	(1,007)
Pension and postemployment benefits payable	(10,947)
Net pension liability	565,434
Net OPEB liability	7,005
Deferred inflows of resources - pension	(751,067)
Deferred inflows of resources - OPEB	(42,791)
	<hr/>
Net cash used in operating activities	\$ (1,381,553)

Non-cash transaction:

During fiscal year 2020, the Academy received \$199,558 in non-operating grants, which was recognized as a receivable at June 30, 2020. A receivable in the amount of \$280,650 has been recorded for non-operating grants at June 30, 2021.

At June 30, 2020, the Academy purchased \$400,206 in capital assets on account through contracts payable (\$336,988) and retainage payable (\$63,218).

At June 30, 2021, the Academy purchased \$563,309 in capital assets on account through contracts payable (\$518,564) and retainage payable (\$44,745).

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

Dayton Early College Academy, Inc. (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax-exempt status. The mission of the Academy, one of the first institutions of its kind in the United States and the first early college high school in Ohio, is to maximize each student's unique potential through a personalized, accelerated academic program. The Academy addresses a critical need in urban public schools to help students, particularly those underrepresented in higher education, to explore their personal and intellectual potential, achieve academic success, and make a seamless transition from high school to college. The Academy was developed out of a partnership between the University of Dayton and the Dayton City School District. Fiscal year 2008 represented the first year of operation of the Academy as an independent charter school. The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Dayton City School District for a period of five years commencing July 1, 2007 and ending June 30, 2012. During fiscal year 2012, the Academy and Sponsor approved an additional contract for a period of five years commencing July 1, 2012 and ending June 30, 2017. Beginning July 1, 2017, the Thomas B. Fordham Foundation (the “Sponsor”) became the Sponsor for the Academy for a five-year period ending June 30, 2022. The Sponsor is responsible for evaluating the Academy’s performance and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy operates under a self-appointing twelve member Governing Board (the “Board”). The Board is composed of a Chairman, Vice Chairman, Parent Representative and nine Board members. The Academy’s Treasurer is a non-voting member of the Board. The Academy’s Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy’s one instructional/support facility staffed by 30 certified full-time teaching personnel and 4 non-certified employees who provide services to 374 students.

The University of Dayton provides educational assistance/opportunities for the students and professional development for the staff of the Academy. The University of Dayton also provides the Academy with facilities (See Note 10). The Dayton Foundation also provides the Academy with fiscal support for donations and grants. These monies are held in separate accounts by the Dayton Foundation and are presented as “cash with fiscal agent” on the statement of net position (See Note 4).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The more significant of the Academy’s accounting policies are described below.

A. Basis of Presentation

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Equity consists of net total position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, see Notes 13 and 14 for deferred outflows of resources related the Academy's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Notes 13 and 14 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

D. 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 Academy's Board adopts a formal budget at the beginning of the Academy year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Business Manager are responsible for ensuring that purchases are made within these limits.

E. Cash and Investments

All cash the Academy receives is maintained at a central bank. The Academy also has cash that the Dayton Foundation holds and is reported as "cash with fiscal agent". For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2021, the Academy invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Academy measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

During fiscal year 2021, cash the Academy received was maintained in demand deposit accounts.

F. Capital Assets and Depreciation

All capital assets except for construction in progress are depreciated. Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$2,500. The Academy does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of buildings and improvements is computed using the straight-line depreciation over estimated useful life of fifty years. Depreciation of equipment and vehicles is computed using the straight-line method over estimated useful lives of five to ten years.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. For the Academy, these revenues are payments from the State foundation program, classroom materials and fees and food service charges. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

H. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal School Breakfast Program, the Federal School Lunch Program, the Student Health and Wellness Program, the Elementary and Secondary School Emergency Relief Fund, the Coronavirus Aid, Relief and Economic Security Act, the Federal IDEA Part B grant, the Federal Title I grant, the Federal Title II-A grant, the Title IV-A grant, and the Quality Community Schools grant. Revenues received from the State Foundation Program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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. Intermediate, State and Federal grant revenue for the fiscal year 2021 was \$1,183,302.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

J. Compensated Absences

The Academy accrues a liability for employees that were Board approved to receive severance.

K. Estimates

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

L. Net Position

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

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

M. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash with Fiscal Agent

The Academy had \$1,386,047 in cash held with the Dayton Foundation at June 30, 2021. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. This amount is not included in the “deposits” reported below.

B. Cash on Hand

At fiscal year end, the Academy had \$100 in undeposited cash on hand which is included on the financial statements of the Academy as part of “equity in pooled cash and cash equivalents”.

C. Deposits with Financial Institutions

At June 30, 2021, the carrying amount of all Academy deposits was \$1,806,503 and the bank balance of all Academy deposits was \$1,902,658. Of the bank balance, \$250,000 was covered by the FDIC and \$1,652,658 was exposed to custodial credit risk as described below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Academy and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2021, the Academy’s financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Academy to a successful claim by the FDIC.

D. Investments

As of June 30, 2021, the Academy had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
Amortized cost:		
STAR Ohio	<u>\$ 36,279</u>	<u>\$ 36,279</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor’s.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type the Academy held at June 30, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	<u>\$ 36,279</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,806,503
Investments	36,279
Cash with fiscal agent	1,386,047
Cash on hand	<u>100</u>
Total	<u>\$ 3,228,929</u>
<u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 3,228,929</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2021 consisted of accounts and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

A summary of the receivables reported on the statement of net position follows:

Accounts	\$ 600
Intergovernmental:	
State foundation program	30,256
ESSER	87,267
Title II-A	46,315
Title IV-A	39,540
Title I	107,528
Other programs	<u>89,770</u>
Total	<u>\$ 401,276</u>

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in the Academy's long-term obligations during fiscal year 2021 were as follows.

	Balance <u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/21</u>	Due Within <u>One Year</u>
Capital lease obligation payable	\$ 78,178	\$ -	\$ (25,532)	\$ 52,646	\$ 26,839
Net pension liability	3,277,376	565,434	-	3,842,810	-
Net OPEB liability	135,394	7,005	-	142,399	-
Note payable - direct borrowing	<u>497,655</u>	<u>-</u>	<u>-</u>	<u>497,655</u>	<u>497,655</u>
Total governmental activities long-term liabilities	<u>\$ 3,988,603</u>	<u>\$ 572,439</u>	<u>\$ (25,532)</u>	<u>\$ 4,535,510</u>	<u>\$ 524,494</u>

Capital Lease Obligation: See Note 9 for details.

Net Pension Liability and Net OPEB Liability/Asset: See Note 13 and 14 for details.

Note Payable: On April 7, 2020, the Academy entered into a note payable with JP Morgan Chase Bank in the amount of \$497,655 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Small Business Administration (SBA) under the Payroll Protection Program (PPP). This note is considered a direct borrowing. Direct borrowings have terms negotiated between the Academy and the lender and are not offered for public sale. The note carries an interest rate of 0.98% and has a maturity date of April 7, 2022. Forgiveness of the note is available for principal that is used for the limited purposes that qualify for forgiveness under SBA requirements, and that to obtain forgiveness, the Academy must request it and must provide documentation in accordance with the SBA requirements.

The following is a schedule of the future payments due on the note payable:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ <u>497,655</u>	\$ <u>3,869</u>	\$ <u>501,524</u>
Total	\$ <u>497,655</u>	\$ <u>3,869</u>	\$ <u>501,524</u>

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 7 - CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2021, follows:

	Balance <u>06/30/20</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/21</u>
<i>Capital assets, not being depreciated</i>				
Construction in progress	\$ 874,442	\$ 2,528,558	\$ (1,520,053)	\$ 1,882,947
<i>Total capital assets, not being depreciated</i>	<u>874,442</u>	<u>2,528,558</u>	<u>(1,520,053)</u>	<u>1,882,947</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	2,447,576	1,520,053	-	3,967,629
Equipment	474,570	-	-	474,570
Vehicles	<u>41,700</u>	<u>-</u>	<u>-</u>	<u>41,700</u>
<i>Total capital assets, being depreciated</i>	<u>2,963,846</u>	<u>1,520,053</u>	<u>-</u>	<u>4,483,899</u>
<i>Less: Accumulated Depreciation</i>				
Buildings and improvements	(36,490)	(71,753)	-	(108,243)
Equipment	(286,232)	(43,739)	-	(329,971)
Vehicles	<u>(35,700)</u>	<u>(1,500)</u>	<u>-</u>	<u>(37,200)</u>
<i>Total accumulated depreciation</i>	<u>(358,422)</u>	<u>(116,992)</u>	<u>-</u>	<u>(475,414)</u>
<i>Net Capital Assets</i>	<u>\$ 3,479,866</u>	<u>\$ 3,931,619</u>	<u>\$ (1,520,053)</u>	<u>\$ 5,891,432</u>

NOTE 8 - PURCHASED SERVICES

Purchased services include the following:

Professional and technical services	\$ 109,797
Property services	648,012
Communications	10,825
Contracted craft or trade	106,850
Pupil transportation	14,939
Other purchased services	<u>103,564</u>
Total purchased services	<u>\$ 993,987</u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the Academy entered into capitalized leases for copiers. All leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been originally capitalized in the amount of \$126,764, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2021 was \$76,059, leaving a current book value of \$50,705. Principal and interest payments in the 2021 fiscal year totaled \$25,532 and \$3,329, respectively.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

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

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

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 28,862
2023	<u>26,457</u>
Total future minimum lease payments	55,319
Less: amount representing interest	<u>(2,673)</u>
Present value of future minimum lease payments	<u>\$ 52,646</u>

NOTE 10 - OPERATING LEASES

The Academy entered into a lease for fiscal year 2016 with the University of Dayton to lease the third floor of the building located at 1529 Brown Street to house the Academy. During fiscal year 2021, the Academy made lease payments of \$259,297.

The following is a schedule of the future minimum rental payments required under the operating lease as of June 30, 2021:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 317,037
2023	323,378
2024	<u>329,846</u>
Total	<u>\$ 970,261</u>

NOTE 11 - RISK MANAGEMENT

A. 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. During fiscal year 2021, the Academy contracted with Ohio Casualty for general, automobile and excess/umbrella liability insurance. General liability carries a limit of \$1,000,000 for each occurrence and \$2,000,000 aggregate. Automobile carries a \$1,000,000 combined single limit and excess/umbrella liability carries a limit of \$3,000,000 for each occurrence. There has been no reduction in coverage from the prior year and settled claims have not exceeded the Academy's coverage in any of the past three years.

B. Workers' Compensation

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

DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY

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

NOTE 12 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

The Academy has contracted with Anthem for medical, Guardian Life for life benefits, United Healthcare for vision benefits and Superior Dental for dental benefits to its employees.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The Academy's contractually required contribution to SERS was \$23,164 for fiscal year 2021. Of this amount, \$315 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

The Academy's contractually required contribution to STRS was \$233,886 for fiscal year 2021. Of this amount, \$24,057 is reported as pension and postemployment benefits payable.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.00576790%	0.01325956%	
Proportion of the net pension liability current measurement date	<u>0.00671730%</u>	<u>0.01404551%</u>	
Change in proportionate share	<u>0.00094940%</u>	<u>0.00078595%</u>	
Proportionate share of the net pension liability	\$ 444,296	\$ 3,398,514	\$ 3,842,810
Pension expense	\$ (41,261)	\$ (34,832)	\$ (76,093)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 862	\$ 7,627	\$ 8,489
Net difference between projected and actual earnings on pension plan investments	28,205	165,270	193,475
Changes of assumptions	-	182,433	182,433
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	34,039	137,926	171,965
Contributions subsequent to the measurement date	<u>23,164</u>	<u>233,886</u>	<u>257,050</u>
Total deferred outflows of resources	<u>\$ 86,270</u>	<u>\$ 727,142</u>	<u>\$ 813,412</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 21,730	\$ 21,730
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>18,928</u>	<u>494,986</u>	<u>513,914</u>
Total deferred inflows of resources	<u>\$ 18,928</u>	<u>\$ 516,716</u>	<u>\$ 535,644</u>

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$257,050 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ 2,452	\$ (267,534)	\$ (265,082)
2023	21,140	21,027	42,167
2024	11,754	113,510	125,264
2025	8,832	109,537	118,369
Total	\$ 44,178	\$ (23,460)	\$ 20,718

Actuarial Assumptions - SERS

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

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

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 608,632	\$ 444,296	\$ 306,416

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 4,838,892	\$ 3,398,514	\$ 2,177,913

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 13 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 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.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was \$1,377.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$1,377 for fiscal year 2021. Of this amount, \$1,377 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.00538390%	0.01325956%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.00655210%</u>	<u>0.01404551%</u>	
Change in proportionate share	<u>0.00116820%</u>	<u>0.00078595%</u>	
Proportionate share of the net OPEB liability	\$ 142,399	\$ -	\$ 142,399
Proportionate share of the net OPEB asset	\$ -	\$ (246,850)	\$ (246,850)
OPEB expense	\$ (40,437)	\$ (67,917)	\$ (108,354)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,872	\$ 15,819	\$ 17,691
Net difference between projected and actual earnings on OPEB plan investments	1,603	8,651	10,254
Changes of assumptions	24,274	4,075	28,349
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	26,893	1,097	27,990
Contributions subsequent to the measurement date	<u>1,377</u>	<u>-</u>	<u>1,377</u>
Total deferred outflows of resources	<u>\$ 56,019</u>	<u>\$ 29,642</u>	<u>\$ 85,661</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 72,419	\$ 49,167	\$ 121,586
Changes of assumptions	3,586	234,468	238,054
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>60,031</u>	<u>169,224</u>	<u>229,255</u>
Total deferred inflows of resources	<u>\$ 136,036</u>	<u>\$ 452,859</u>	<u>\$ 588,895</u>

\$1,377 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (19,720)	\$ (116,983)	\$ (136,703)
2023	(19,605)	(111,128)	(130,733)
2024	(19,624)	(109,075)	(128,699)
2025	(15,776)	(62,870)	(78,646)
2026	(6,531)	(11,413)	(17,944)
Thereafter	(138)	(11,748)	(11,886)
Total	\$ (81,394)	\$ (423,217)	\$ (504,611)

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.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	Academy's proportionate share of the net OPEB liability	\$ 174,292	\$ 142,399

	1% Decrease	Current Trend Rate	1% Increase
	Academy's proportionate share of the net OPEB liability	\$ 112,128	\$ 142,399

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$ 214,775	\$ 246,850	\$ 274,064

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$ 272,374	\$ 246,850	\$ 215,757

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Foundation Funding

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

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

ODE performed such a review on the Academy for fiscal year 2021. The Ohio Department of Education owed the Academy an additional \$30,256 as a result of this review.

In addition, the Academy's contract with their sponsor require payment based on revenues received from the State. The Academy owed the sponsor an additional \$454 as a result of the FTE review.

NOTE 16 - SERVICE AGREEMENTS

The Thomas B. Fordham Foundation

The Academy entered into a five-year contract effective on July 1, 2017 and continuing through June 30, 2022 with the Thomas B. Fordham Foundation (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with applicable laws and the terms of the contract; and,
- Monitor and evaluate the academic, fiscal performance and the organization and operation of the Academy.

The Academy paid the Sponsor a 2.00% sponsorship fee, based on State foundation revenue. During fiscal year 2021, the Academy made \$40,185 in payments to the Sponsor.

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

Meta Solutions - The Academy is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2021, the Academy paid META Solutions \$5,494 for services. Financial information can be obtained from META Solutions, 100 Executive Drive, Marion, Ohio 43302.

NOTE 18 - RELATED PARTIES

The Superintendent and Treasurer of Dayton Early College Academy serve in the same capacity for DECA Prep. Members of the Governing Board for Dayton Early College Academy also serve on the board for DECA Prep. During fiscal year 2021, Dayton Early College Academy served as fiscal agent for the Conner Donation grant and other grants. Amounts given to DECA Prep are included in “intergovernmental expense” on the statement of revenues, expenses and changes in net position.

NOTE 19 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ending in June of 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.

NOTE 20 - SUBSEQUENT EVENTS

On July 28, 2021, the Payroll Protection Program (PPP) note in the amount of \$497,655 was forgiven.

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. For fiscal year 2021, the Academy reported \$2,584,466 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Academy's proportion of the net pension liability	0.00671730%	0.00576790%	0.00752910%	0.00872680%
Academy's proportionate share of the net pension liability	\$ 444,296	\$ 345,104	\$ 431,206	\$ 521,407
Academy's covered payroll	\$ 231,236	\$ 196,074	\$ 245,644	\$ 277,464
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	192.14%	176.01%	175.54%	187.92%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.01368850%	0.01486120%	0.01239800%	0.01239800%
\$ 1,001,872	\$ 847,994	\$ 627,456	\$ 737,269
\$ 440,729	\$ 447,398	\$ 360,260	\$ 313,382
227.32%	189.54%	174.17%	235.26%
62.98%	69.16%	71.70%	65.52%

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Academy's proportion of the net pension liability	0.01404551%	0.01325956%	0.01360948%	0.01498810%
Academy's proportionate share of the net pension liability	\$ 3,398,514	\$ 2,932,272	\$ 2,992,419	\$ 3,560,455
Academy's covered payroll	\$ 1,831,814	\$ 1,573,093	\$ 1,549,636	\$ 1,598,721
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	185.53%	186.40%	193.10%	222.71%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02086907%	0.02234438%	0.02276618%	0.02276618%
\$ 6,985,507	\$ 6,175,333	\$ 5,537,523	\$ 6,596,261
\$ 2,162,907	\$ 2,331,264	\$ 2,326,077	\$ 2,192,038
322.97%	264.89%	238.06%	300.92%
66.80%	72.10%	74.70%	69.30%

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 23,164	\$ 32,373	\$ 26,470	\$ 33,162
Contributions in relation to the contractually required contribution	<u>(23,164)</u>	<u>(32,373)</u>	<u>(26,470)</u>	<u>(33,162)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 165,457	\$ 231,236	\$ 196,074	\$ 245,644
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 38,845	\$ 61,702	\$ 58,967	\$ 49,932	\$ 43,372	\$ 35,626
<u>(38,845)</u>	<u>(61,702)</u>	<u>(58,967)</u>	<u>(49,932)</u>	<u>(43,372)</u>	<u>(35,626)</u>
<u>\$ -</u>					
\$ 277,464	\$ 440,729	\$ 447,398	\$ 360,260	\$ 313,382	\$ 264,877
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 233,886	\$ 256,454	\$ 220,233	\$ 216,949
Contributions in relation to the contractually required contribution	<u>(233,886)</u>	<u>(256,454)</u>	<u>(220,233)</u>	<u>(216,949)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,670,614	\$ 1,831,814	\$ 1,573,093	\$ 1,549,636
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 223,821	\$ 302,807	\$ 326,377	\$ 302,390	\$ 284,965	\$ 251,014
<u>(223,821)</u>	<u>(302,807)</u>	<u>(326,377)</u>	<u>(302,390)</u>	<u>(284,965)</u>	<u>(251,014)</u>
<u>\$ -</u>					
\$ 1,598,721	\$ 2,162,907	\$ 2,331,264	\$ 2,326,077	\$ 2,192,038	\$ 1,930,877
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability	0.00655210%	0.00538390%	0.00717290%	0.00847010%	0.01375856%
Academy's proportionate share of the net OPEB liability	\$ 142,399	\$ 135,394	\$ 198,996	\$ 227,315	\$ 392,170
Academy's covered payroll	\$ 231,236	\$ 196,074	\$ 245,644	\$ 277,464	\$ 440,729
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.58%	69.05%	81.01%	81.93%	88.98%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability/asset	0.01404551%	0.01325956%	0.01360948%	0.01498810%	0.02086907%
Academy's proportionate share of the net OPEB liability/(asset)	\$ (246,850)	\$ (219,610)	\$ (218,690)	\$ 584,780	\$ 1,116,083
Academy's covered payroll	\$ 1,831,814	\$ 1,573,093	\$ 1,549,636	\$ 1,598,721	\$ 2,162,907
Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.48%	13.96%	14.11%	36.58%	51.60%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,377	\$ 2,230	\$ 1,796	\$ 5,283
Contributions in relation to the contractually required contribution	<u>(1,377)</u>	<u>(2,230)</u>	<u>(1,796)</u>	<u>(5,283)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 165,457	\$ 231,236	\$ 196,074	\$ 245,644
Contributions as a percentage of covered payroll	0.83%	0.96%	0.92%	2.15%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 4,055	\$ 6,476	\$ 7,108	\$ 1,417	\$ 4,519	\$ 3,341
<u>(4,055)</u>	<u>(6,476)</u>	<u>(7,108)</u>	<u>(1,417)</u>	<u>(4,519)</u>	<u>(3,341)</u>
<u>\$ -</u>					
\$ 277,464	\$ 440,729	\$ 447,398	\$ 360,260	\$ 313,382	\$ 264,877
1.46%	1.47%	1.59%	0.39%	1.44%	0.46%

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,670,614	\$ 1,831,814	\$ 1,573,093	\$ 1,549,636
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 23,359	\$ 21,920	\$ 19,309
-	-	-	(23,359)	(21,920)	(19,309)
<u>\$ -</u>					
\$ 1,598,721	\$ 2,162,907	\$ 2,331,264	\$ 2,326,077	\$ 2,192,038	\$ 1,930,877
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

**DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY**

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

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

(Continued)

DAYTON EARLY COLLEGE ACADEMY, INC.
MONTGOMERY COUNTY

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

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OHIO AUDITOR OF STATE KEITH FABER



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

Dayton Early College Academy, Inc.
Montgomery County
300 College Park
Dayton, Ohio 45469

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Dayton Early College Academy, Inc., Montgomery County, (the Academy) as of and for the fiscal 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 June 24, 2022, where we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2022

OHIO AUDITOR OF STATE KEITH FABER



DAYTON EARLY COLLEGE ACADEMY, INC.

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 7/12/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov