

# THE ACADEMY FOR URBAN SCHOLARS

FRANKLIN COUNTY, OHIO

*SINGLE AUDIT*

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021



Rea & associates

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



OHIO AUDITOR OF STATE  
KEITH FABER



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

Board of Directors  
The Academy for Urban Scholars  
1808 E. Broad Street  
Columbus, Ohio 43203

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Academy for Urban Scholars is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

February 02, 2022

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**THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Academy for Urban Scholars  
1808 E. Broad St  
Columbus, OH 43203

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

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

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

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

### ***Auditor’s Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The *Schedule of Expenditures of Federal Awards*, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Gahanna, Ohio  
December 28, 2021

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THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

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

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

### FINANCIAL HIGHLIGHTS

- In total, net position increased \$1,264,858.
- Total Assets increased \$764,596.
- Total Liabilities decreased \$1,060,768.
- Total Revenues increased \$1,289,019.
- Total Expenses increased \$286,535.

### USING THIS ANNUAL REPORT

This report consists of three parts: the required supplemental information, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the Academy did financially during fiscal year 2021. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's Net Position and changes in those assets. This change in Net Position is important because it tells the reader whether 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. Non-financial factors include the Academy's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors. The Academy uses enterprise presentation for all of its activities.

THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

*Statement of Net Position* - The Statement of Net Position answers the question of how the Academy did financially during 2021. This statement includes all assets, deferred outflows of resources, deferred inflows of resources, and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1  
Statement of Net Position

	2021	2020
Assets		
Current Assets	\$ 1,671,334	\$ 1,021,071
Noncurrent Assets	77,821	95,597
Capital Assets	219,107	86,998
Total Assets	1,968,262	1,203,666
 Deferred Outflows of Resources	 411,299	 579,571
Liabilities		
Current Liabilities	-	154,610
NonCurrent Liabilities	1,392,390	2,298,548
Total Liabilities	1,392,390	2,453,158
 Deferred Inflows of Resources	 832,953	 440,719
Net Position		
Investment in Capital Assets	219,107	86,441
Unrestricted	(64,889)	(1,197,081)
Total Net Position	\$ 154,218	\$ (1,110,640)

THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

In total, net position was \$154,218 which represents a \$1,264,858 increase from 2020. The increase is primarily due to changes in GASB 68 and 75 accruals in addition to additional cash from operations due from additional COVID-19 related grant allocations. Total assets were \$1,968,262 which represents a \$764,596 increase from 2020. This was primarily due to an increase in cash from operations and an increase in intergovernmental liabilities. Total Liabilities were \$1,392,390, which represents a \$1,060,768 decrease from the prior year. The decrease is primarily due to decreases in Payroll Protection Program loans and accruals related to GASB 68/75 as discussed further below.

The Academy has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and 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 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 asset/liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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.

THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

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 asset/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 asset/liability, respectively, not accounted for as deferred inflows/outflows.

There was a significant change in net pension/OPEB liability/asset for the Academy. The fluctuations are due to changes in the actuarial liabilities / assets and related accruals that are passed through to the Academy's financial statement. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension/OPEB liabilities/asset and are described in more detail in their respective notes.

THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

*Statement of Revenues, Expenses and Changes in Net Position* - Table 2 shows the changes in Net Position for fiscal year 2021 and 2020, as well as a listing of revenues and expenses. 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 cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. Overall, the increase in Operating Revenues was a result of increasing student enrollment over the prior year. There were also corresponding increases in Purchased Services categories during fiscal year 2021 due to more students needing to be served and certain expenses being based on a percentage of revenues, which overall were higher compared to the prior year. Changes to fringe benefits, were previously discussed as a result of changes in Net Pension/OPEB assets/liabilities and related accruals.

Table 2  
Change in Net Position

	2021	2020
Operating Revenues		
State Aid	\$ 3,394,026	\$ 2,765,047
Miscellaneous	14,756	12,387
Total Operating Revenues	<u>3,408,782</u>	<u>2,777,434</u>
Operating Expenses		
Salaries	631,469	732,860
Fringe Benefits	(29,570)	388,310
Purchased Services	2,999,823	2,329,637
Supplies	191,417	170,130
Depreciation	110,880	39,617
Other	93,039	49,969
Total Operating Expenses	<u>3,997,058</u>	<u>3,710,523</u>
Operating Income (Loss)	(588,276)	(933,089)
Non-Operating Revenues (Expenses)		
Federal and State Grants	1,434,711	1,004,946
Interest Income	2,854	233
Other Grants	185,029	177,298
Rent Income	58,500	12,986
PPP Loan Forgiveness	172,040	-
Total Non-Operating Revenues (Expenses)	<u>1,853,134</u>	<u>1,195,463</u>
Change in Net Position	<u>\$ 1,264,858</u>	<u>\$ 262,374</u>

THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy has developed a one year spending plan and a five-year projection that is reviewed by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

CAPITAL ASSETS

At the end of fiscal year 2021, the Academy had \$219,107, invested in capital assets, net of depreciation. The asset purchases were leasehold improvements, vehicles, computers and equipment. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2021, the Academy had \$0 in Payroll Protection Program Loans outstanding as they had been granted forgiveness by Small Business Administration and the Bank. For more information on debt, see Note 5 in the notes to the basic financial statements.

CURRENT FINANCIAL ISSUES

The Academy is a community School and is funded through the State of Ohio Foundation Program. The Academy relies on this, as well as, State and Federal funds as its primary source of revenue. In 2021, the State decreased the base per pupil funding to \$5,980, which is down from \$6,020 in the previous year. This decrease was attributable to the impacts of COVID-19 (See Note 19). Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be \$250 per pupil

On July 1, 2015, the Academy entered into an agreement with National Center for Urban Solutions, as its management company for the fiscal year to provide management services to the Academy. The Academy paid the Operator \$845,494 for the fiscal year.

On July 1, 2015, the Academy contracted with the Buckeye Community Hope Foundation (BCHF) as its sponsor. State law allows sponsors to assess the schools up to 3 percent of State revenues as an oversight fee. The Academy paid BCHF three percent of State Aid as its sponsorship fee in fiscal year 2021.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's Fiscal Officer, C. David Massa, CPA, of Massa Financial Solutions, LLC, at 1808 East Broad Street, Columbus, OH 43203.



THE ACADEMY FOR URBAN SCHOLARS - FRANKLIN COUNTY, OHIO  
Statement of Net Position  
June 30, 2021

Assets:

*Current Assets:*

Cash and Cash Equivalents	\$	1,365,385
Intergovernmental Receivable		151,202
Other Assets		154,747
Total Current Assets		1,671,334

*Noncurrent Assets:*

Net OPEB Asset		77,821
Capital Assets, net of Accumulated Depreciation		219,107
Total Non-Current Assets		296,928

Total Assets 1,968,262

Deferred Outflows of Resources:

Pension (STRS & SERS)		339,253
OPEB (STRS & SERS)		72,046
Total Deferred Outflows of Resources		411,299

Liabilities:

*Noncurrent Liabilities:*

Net Pension Liability		1,318,279
Net OPEB Liability		74,111
Total Noncurrent Liabilities		1,392,390

Total Liabilities 1,392,390

Deferred Inflows of Resources:

Pension (STRS & SERS)		531,421
OPEB (STRS & SERS)		301,532
Total Deferred Inflows of Resources		832,953

Net Position:

Investment in Capital Assets		219,107
Unrestricted Net Position		(64,889)
Total Net Position	\$	154,218

See Accompanying Notes to the Basic Financial Statements

THE ACADEMY FOR URBAN SCHOLARS - FRANKLIN COUNTY, OHIO  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2021

Operating Revenues:	
State Aid	\$ 3,394,026
Miscellaneous	14,756
Total Operating Revenues	<u>3,408,782</u>
Operating Expenses:	
Salaries	631,469
Fringe Benefits	(29,570)
Purchased Services	2,999,823
Depreciation	110,880
Supplies	191,417
Other Operating Expenses	93,039
Total Operating Expenses	<u>3,997,058</u>
Operating Income (Loss)	(588,276)
Non-Operating Revenues and (Expenses):	
Federal and State Restricted Grants	1,434,711
Other Grants	185,029
Interest Income	2,854
PPP Loan Forgiveness	172,040
Rent Income	58,500
Net Non-operating Revenues and (Expenses)	<u>1,853,134</u>
Change in Net Position	1,264,858
Net Position - Beginning of Year	<u>(1,110,640)</u>
Net Position - End of Year	<u>\$ 154,218</u>

See Accompanying Notes to the Basic Financial Statements

THE ACADEMY FOR URBAN SCHOLARS - FRANKLIN COUNTY, OHIO  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
State Aid Receipts	\$ 3,394,026
Miscellaneous	14,756
Cash Payments to Employees for Services	(631,469)
Cash Payments for Employee Benefits	(193,170)
Cash Payments to Suppliers for Goods and Services	(3,478,528)
Net Cash Provided By (Used For) Operating Activities	<u>(894,385)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal and State Grant Receipts	1,637,429
Other Grants	185,029
Rent Income	58,500
Interest Income	2,854
Net Cash Provided By Noncapital Financing Activities	<u>1,883,812</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(242,989)
Capital Lease Principal Payments	(557)
Net Cash (Used For) Provided By Capital and Related Financing Activities	<u>(243,546)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	745,881
Cash and Cash Equivalents - Beginning of the Year	619,504
Cash and Cash Equivalents - Ending of the Year	<u>\$ 1,365,385</u>

**Non-Cash Transaction:**

*During the fiscal year \$172,040 worth of Payroll Protection Program Loans were forgiven by the U.S. Small Business Administration.*

See Accompanying Notes to the Basic Financial Statements

THE ACADEMY FOR URBAN SCHOLARS - FRANKLIN COUNTY, OHIO  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2021  
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (588,276)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	110,880
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Net OPEB Asset	17,776
(Increase)/ Decrease in Deferred Outflows Pension	145,864
(Increase)/ Decrease in Deferred Outflows OPEB	22,408
Increase/ (Decrease) in Net Pension Liability	(622,070)
Increase/ (Decrease) in Net OPEB Liability	(178,952)
Increase/(Decrease) in Accounts Payable, Trade	(35,631)
Increase/(Decrease) in Accrued Expenses	(51,518)
(Increase)/ Decrease in Other Assets	(107,100)
Increase/ (Decrease) in Deferred Inflows Pension	319,791
Increase/ (Decrease) in Deferred Inflows OPEB	72,443
Net Cash Provided By (Used For) Operating Activities	<u>\$ (894,385)</u>

See Accompanying Notes to the Basic Financial Statements

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THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

1. DESCRIPTION OF THE ENTITY

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

The Academy contracts with National Center of Urban Solutions as its operator to provide management services to the Academy. (see note 16 for details).

Effective July 1, 2016, the Academy contracted with Buckeye Community Hope Foundation (the Sponsor) for a term of 4 years, ending June 30, 2020, which has been renewed for an additional term through June 30, 2026.

The Academy operates under a self-appointing, five-member Board of Directors (the Board). The Academy's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel who provide services to 334 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

*Basis of Presentation*

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

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

THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO

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

Measurement Focus and Basis of Accounting

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

Budgetary Process

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

Cash and Cash Equivalents

All cash received by the Academy is deposited in accounts in the Academy's name and reflected as Cash and Cash Equivalents on the Statement of Net Position. The Academy did not have any investments during fiscal year 2021.

Prepaid Items

The Academy records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from these programs are recognized as operating revenues (foundation and special education payments) in the accounting period in which they are earned and become measurable. Funding from these programs is listed as "State Aid" on the Statement of Revenues, Expenses, and Change in Fund Net Position. Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

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Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Under the above programs the Academy recorded \$3,394,026 this fiscal year from the Foundation Program and Casino Tax Revenues and \$1,434,711 from Federal and State grants.

Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of \$1,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation of \$219,107. Depreciation is computed by the straight-line method over three years for "Computers and Equipment", five years for "Vehicles", five years for "Furniture and Fixtures", and five years for "Leasehold Improvements". Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of \$5,000.

Aside from those mentioned above, the Academy has no other capital assets.

Net Position

Net Position represent the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net Position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. The Academy does not have any restricted net position at June 30, 2021. Net Investments in capital asset represent capital assets reduced by any outstanding obligations to purchase those assets.

Operating Revenues and Expenses

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

Use of Estimates

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



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Pensions and Post Employment Benefits

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Note 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position. (See Note 11 and 12).

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

At June 30, 2021, the carrying amount of the Academy deposits are \$1,365,385 and its bank balance of \$1,421,981, of which \$316,539 was covered by federal depository insurance based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", while \$1,105,442 was uninsured and exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

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**4. INTERGOVERNMENTAL RECEIVABLE**

At June 30, 2021, the Academy had an intergovernmental receivable in the amount of \$151,202 for monies for food service, state aid, and other federal and state grants due but not received by year end. The intergovernmental receivable is collectible in the next operating cycle.

**5. LONG TERM OBLIGATIONS**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on March 27, 2020 in response to COVID-19. The Paycheck Protection Program (PPP) was formed as part of the CARES Act. The PPP allows certain companies to apply for aid through forgivable loans. The Academy entered into a note payable agreement with a bank under PPP. The unsecured note has a principal amount of \$172,040 and was forgiven by the Bank and the U.S. Small Business Administration during the fiscal year.

**6. CAPITAL ASSETS AND DEPRECIATION**

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

	Balance 06/30/20	Additions	Deletions	Balance 06/30/21
Capital Assets:				
Leasehold Improvements	\$ 292,744	\$ 27,100	\$ -	\$ 319,844
Vehicles	-	45,900	-	45,900
Computers & Equipment	221,167	169,989	-	391,156
<b>Total Capital Assets</b>	<b>513,911</b>	<b>242,989</b>	<b>-</b>	<b>756,900</b>
Less Accumulated Depreciation:				
Leasehold Improvements	(265,095)	(19,805)	-	(284,900)
Vehicles	-	(9,180)	-	(9,180)
Computers & Equipment	(161,818)	(81,895)	-	(243,713)
<b>Total Accumulated Depreciation</b>	<b>(426,913)</b>	<b>(110,880)</b>	<b>-</b>	<b>(537,793)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 86,998</b>	<b>\$ 132,109</b>	<b>\$ -</b>	<b>\$ 219,107</b>

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**7. RISK MANAGEMENT**

*Property and Liability* - The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2021, the Academy contracted with the Hartford Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$ 1,000,000
Commercial General Liability aggregate	4,000,000
Director and Officers Liability	1,000,000
Employment Practices Liability	1,000

**Worker's Compensation**

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The Academy had paid all premiums as of June 30, 2021.

Settled claims have not exceeded commercial coverage in any year of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

**8. PURCHASED SERVICE EXPENSES**

For the year ended June 30, 2021, the Academy's largest expense, purchased services consisted of the following:

<u>Purchased Services</u>	<u>Amount</u>
Professional Services	\$ 2,632,416
Property Services	258,479
Utilities	17,148
Travel & Meetings	12,553
Communications	44,497
Contractual Trade	30,730
Pupil Transportation	4,000
Total	<u>\$ 2,999,823</u>

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**9. CAPITALIZED LEASE OBLIGATIONS**

The Academy entered into a capitalized lease for the acquisition of equipment. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment of \$8,200. The Academy paid \$577 in principal for the fiscal year ended June 30, 2021, and the lease has been paid in full.

**10. OPERATING LEASES – LESSEE DISCLOSURE**

Beginning February 2018, the Academy leased space located at 1808 East Broad Street from Kohr Royer, Griffith Inc. The term of the lease is for 5 years ending January 31, 2023. The Academy paid \$213,308 for fiscal year 2021. Future minimum payments for the lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 218,641
2023	224,107
2024	153,140
Total	<u>\$ 595,888</u>

**11. DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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

The Academy's contractually required contribution to SERS was \$45,607 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit 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 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent 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 \$67,565 for fiscal year 2021.

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Net Pension Liability/Pension Expense/Defined Outflows/Inflows Related to Pension

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0110965%	0.00577192%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0037324%</u>	<u>0.00442797%</u>	
Change in Proportionate Share	<u>-0.0073641%</u>	<u>-0.00134395%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 246,868	\$ 1,071,411	\$ 1,318,279
Pension Expense	\$ (201,495)	\$ 158,452	\$ (43,043)

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



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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 479	\$ 2,404	\$ 2,883
Changes of assumptions	-	57,514	57,514
Net difference between projected and actual earnings on pension plan investments	15,671	52,104	67,775
Changes in proportion and differences between contributions and proportionate share of contributions	8,272	89,637	97,909
School contributions subsequent to the measurement date	<u>45,607</u>	<u>67,565</u>	<u>113,172</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 70,029</u></u>	<u><u>\$ 269,224</u></u>	<u><u>\$ 339,253</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 6,852	\$ 6,852
Changes in proportion and differences between contributions and proportionate share of contributions	<u>269,122</u>	<u>255,447</u>	<u>524,569</u>
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 269,122</u></u>	<u><u>\$ 262,299</u></u>	<u><u>\$ 531,421</u></u>

\$113,172 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:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	\$ (161,003)	\$ 15,625	\$ (145,378)
2023	(95,135)	(7,381)	(102,516)
2024	11,438	(37,254)	(25,816)
2025	<u>-</u>	<u>(31,630)</u>	<u>(31,630)</u>
<b>Total</b>	<u><u>\$ (244,700)</u></u>	<u><u>\$ (60,640)</u></u>	<u><u>\$ (305,340)</u></u>

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Actuarial Assumptions - SERS

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

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

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

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

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

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline

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inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	%	<u>Long Term Expected Real Rate of Return</u>	%
Cash	2.00	%	1.85	%
US 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** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$ 338,180	\$ 246,868	\$ 170,257

**Actuarial Assumptions - STRS**

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

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Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	\$ 1,525,503	\$ 1,071,411	\$ 686,606

**12 – DEFINED BENEFIT OPEB PLANS**

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

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

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

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

*Funding Policy* - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care

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Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was \$0.

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Liability (Asset)/OPEB Expense/Deferred Outflows/Inflows Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability/asset			
Prior Measurement Date	0.0100630%	0.00577192%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	0.0034100%	0.00442797%	
Change in Proportionate Share	-0.0066530%	-0.00134395%	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 74,111	\$ (77,821)	\$ (3,710)
OPEB Expense	\$ (68,504)	\$ 2,179	\$ (66,325)

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 975	\$ 4,987	\$ 5,962
Changes of assumptions	12,633	1,284	13,917
Net difference between projected and actual earnings on OPEB plan investments	833	2,729	3,562
Changes in proportion and differences between contributions and proportionate share of contributions	19,632	28,973	48,605
School contributions subsequent to the measurement date	-	-	-
	-	-	-
Total Deferred Outflows of Resources	\$ 34,073	\$ 37,973	\$ 72,046
 <b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 37,691	\$ 15,502	\$ 53,193
Changes of assumptions	1,868	73,918	75,786
Changes in proportion and differences between contributions and proportionate share of contributions	169,237	3,316	172,553
	169,237	3,316	172,553
Total Deferred Inflows of Resources	\$ 208,796	\$ 92,736	\$ 301,532

\$0 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 OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (30,857)	\$ (13,289)	\$ (44,146)
2023	(30,796)	(11,441)	(42,237)
2024	(30,804)	(10,796)	(41,600)
2025	(78,334)	(11,011)	(89,345)
2026	(2,586)	(4,149)	(6,735)
Thereafter	(1,346)	(4,077)	(5,423)
Total	\$ (174,723)	\$ (54,763)	\$ (229,486)

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.



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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US 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 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

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

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	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Academy's proportionate share of the net OPEB liability	\$ 90,709	\$ 74,111	\$ 60,914

  

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
Academy's proportionate share of the net OPEB liability	\$ 58,356	\$ 74,111	\$ 95,178

**Actuarial Assumptions – STRS**

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

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

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

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

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

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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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB asset	\$ 67,710	\$ 77,821	\$ 86,401

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$ 85,868	\$ 77,821	\$ 68,019

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

**13. CONTINGENCES**

*Grants*

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

*Full Time Equivalency*

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year

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end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform a review on the Academy for fiscal year 2021.

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

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

Litigation

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

14. SPONSORSHIP FEES

The Academy contracted with the Buckeye Community Hope Foundation as its sponsor effective July 1, 2011. The Academy pays the Sponsor three percent of the State Aid. Total fee expense for fiscal year 2021 was \$106,032. Effective July 1, 2016, the Academy contracted with the Sponsor for a term of 4 years, ending June 30, 2020, which was subsequently renewed on July 1, 2021 through June 30, 2026.

15. TAX EXEMPT STATUS

The Academy was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

16. AGREEMENT WITH NATIONAL CENTER FOR URBAN SOLUTIONS (NCUS)

The Academy entered into a management agreement with the National Center for Urban Solutions. The term of the contract is for 5 years beginning July 1, 2016 and ending June 30, 2021, which has been subsequently renewed for an additional term. NCUS is responsible and accountable to the Academy's Board of Directors for the administration and day-to-day operations of the Academy. Responsibilities include (but not limited to) student recruitment, budget development, personnel management, curriculum development and oversight, and facilities management. The Academy pays NCUS a fixed fee as follows, with a contractual maximum of 19% of state revenues:

\$28,500/ Month, Year 1 (July 1, 2016 – June 30, 2017)  
\$31,000/ Month, Year 2 & 3 (July 1, 2017 – June 30, 2019)  
\$33,000/ Month, Year 4 (July 1, 2019 – June 30, 2020)  
\$35,500/ Month, Year 5 (July 1, 2020 – June 30, 2021)

The contract allows for reimbursement of expenses as well as additional fees for grant writing, e-rate, life coaching, counselling, etc. Total fees paid for fiscal year 2021 were \$1,812,308. For more information, see Note 18 to the financial statements.

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17. CHANGE IN ACCOUNTING PRINCIPLES

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

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

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

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

18. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2021, NCUS and its affiliates incurred the following expenses on behalf of the Academy.

Academy of Urban Scholars	Regular Instruction (1100 Function codes)	Support Services (2000 Function Codes)	Total
<i>Direct expenses:</i>			
Salaries & wages (100 object codes)	\$ 575,096	\$ 811,901	\$ 1,386,997
Employees’ benefits (200 object codes)	51,049	72,070	123,119
Supplies (500 object codes)	-	637	637
Other direct costs (All other object codes)	360	2,180	2,540
<i>Indirect expenses:</i>			
Overhead	-	16,000	16,000
<b>Total expenses</b>	<b>\$ 626,505</b>	<b>\$ 902,788</b>	<b>\$ 1,529,293</b>

NCUS charges expenses benefiting more than one school (i.e. overhead) as a percentage of facility square footage utilized by the schools it manages. Employee Benefits do not include pension expenses. Under management agreement with the Academy, the Academy is responsible for pension expenses for direct Academy staff.

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19. COVID-19

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

20. SUBSEQUENT EVENTS

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. For fiscal year 2021, the Community School reported \$3,394,026 in revenue related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**The Academy for Urban Scholars  
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Required Supplementary Information  
Schedule of the Academy's Proportionate Share of the Net Pension Liability  
School Employees Retirement System of Ohio  
Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.0037324%	0.0110965%	0.0103506%	0.0093987%	0.0166251%	0.0099176%	0.006416%	0.006416%
Academy's Proportionate Share of the Net Pension Liability	\$ 246,868	\$ 663,923	\$ 592,798	\$ 561,552	\$ 1,216,804	\$ 565,908	\$ 324,710	\$ 381,539
Academy's Covered Payroll	\$ 107,536	\$ 392,615	\$ 361,519	\$ 313,757	\$ 528,314	\$ 346,115	\$ 140,700	\$ 161,814
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	229.57%	169.10%	163.97%	178.98%	230.32%	163.50%	230.78%	235.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information



**The Academy for Urban Scholars  
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Required Supplementary Information  
Schedule of the Academy's Proportionate Share of the Net Pension Liability  
State Teachers Retirement System of Ohio  
Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.00442797%	0.00577192%	0.00607170%	0.00493030%	0.00484930%	0.00563630%	0.00536510%	0.00536512%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,071,411	\$ 1,276,426	\$ 1,335,029	\$ 1,171,203	\$ 1,623,204	\$ 1,557,717	\$ 1,304,983	\$ 1,554,487
Academy's Covered Payroll	\$ 534,386	\$ 677,643	\$ 690,250	\$ 542,021	\$ 581,786	\$ 814,643	\$ 534,646	\$ 350,223
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.49%	188.36%	193.41%	216.08%	279.00%	191.21%	244.08%	443.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio**

Required Supplementary Information  
Schedule of Academy Contributions - Pension  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 45,607	\$ 15,055	\$ 53,003	\$ 48,805	\$ 43,926	\$ 73,964	\$ 45,618	\$ 19,501	\$ 22,395	\$ 17,267
Contributions in Relation to the Contractually Required Contribution	<u>(45,607)</u>	<u>(15,055)</u>	<u>(53,003)</u>	<u>(48,805)</u>	<u>(43,926)</u>	<u>(73,964)</u>	<u>(45,618)</u>	<u>(19,501)</u>	<u>(22,395)</u>	<u>(17,267)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$ 325,764	\$ 107,536	\$ 392,615	\$ 361,519	\$ 313,757	\$ 528,314	\$ 346,115	\$ 140,700	\$ 161,814	\$ 128,379
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio**

Required Supplementary Information  
Schedule of Academy Contributions - Pension  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 67,565	\$ 74,814	\$ 94,870	\$ 96,635	\$ 75,883	\$ 81,450	\$ 114,050	\$ 69,504	\$ 45,529	\$ 23,249
Contributions in Relation to the Contractually Required Contribution	<u>(67,565)</u>	<u>(74,814)</u>	<u>(94,870)</u>	<u>(96,635)</u>	<u>(75,883)</u>	<u>(81,450)</u>	<u>(114,050)</u>	<u>(69,504)</u>	<u>(45,529)</u>	<u>(23,249)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy Covered Payroll	\$ 482,607	\$ 534,386	\$ 677,643	\$ 690,250	\$ 542,021	\$ 581,786	\$ 814,643	\$ 534,646	\$ 350,223	\$ 178,838
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio**

Required Supplementary Information  
Schedule of the Academy's Proportionate Share of the Net OPEB Liability  
School Employees Retirement System of Ohio  
Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
Academy's Proportion of the Net OPEB Liability	0.0034100%	0.0100630%	0.0093618%	0.0086438%	0.0157721%
Academy's Proportionate Share of the Net OPEB Liability	\$ 74,111	\$ 253,063	\$ 259,722	\$ 231,977	\$ 449,564
Academy's Covered Payroll	\$ 107,536	\$ 329,615	\$ 361,519	\$ 313,757	\$ 528,314
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	68.92%	76.78%	71.84%	73.94%	85.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio**

Required Supplementary Information  
Schedule of the Academy's Proportionate Share of the Net OPEB Liability/Asset  
State Teachers Retirement System of Ohio  
Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
Academy's Proportion of the Net OPEB Liability/Asset	0.00442797%	0.00577192%	0.00607170%	0.00493030%	0.00484930%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (77,821)	\$ (95,597)	\$ (97,566)	\$ 192,362	\$ 259,341
Academy's Covered Payroll	\$ 534,386	\$ 677,643	\$ 690,250	\$ 542,021	\$ 581,786
Academy's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.56%	-14.11%	-14.13%	35.49%	44.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	182.13%	174.74%	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the Academy's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio**

Required Supplementary Information  
Schedule of Academy Contributions - OPEB  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution (1)	\$ -	\$ -	\$ 1,972	\$ 577	\$ -	\$ 3,366	\$ 3,239	\$ 1,036	\$ 254	\$ 647
Contributions in Relation to the Contractually Required Contribution	-	-	(1,972)	(577)	-	(3,366)	(3,239)	(1,036)	(254)	(647)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Academy Covered Payroll	\$ 325,764	\$ 107,536	\$ 329,615	\$ 361,519	\$ 313,757	\$ 528,314	\$ 346,115	\$ 140,700	\$ 161,814	\$ 128,739
OPEB Contributions as a Percentage of Covered Payroll (1)	0.00%	0.00%	0.60%	0.16%	0.00%	0.64%	0.94%	0.74%	0.16%	0.50%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio**

Required Supplementary Information  
Schedule of Academy Contributions - OPEB  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,346	\$ 3,252	\$ 1,661
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	(5,346)	(3,252)	(1,661)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Academy Covered Payroll	\$ 482,607	\$ 534,386	\$ 677,643	\$ 690,250	\$ 542,021	\$ 581,786	\$ 814,643	\$ 534,646	\$ 350,223	\$ 178,838
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

**The Academy for Urban Scholars  
Franklin County, Ohio  
Notes to the Required Supplemental Information For the  
Fiscal Year Ended June 30, 2021**

NOTE 1 - NET PENSION LIABILITY

*Changes in Assumptions - SERS*

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

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

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

*Changes in Assumptions – STRS*

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

*Changes in Benefit Terms - SERS*

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

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2021.

*Changes in Benefit Terms - STRS*

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



**The Academy for Urban Scholars  
Franklin County, Ohio  
Notes to the Required Supplemental Information For the  
Fiscal Year Ended June 30, 2021**

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

**Changes in Assumptions – SERS**

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

**Municipal Bond Index Rate:**

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

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

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

**Pre-Medicare**

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

**Medicare**

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

**Changes in Assumptions – STRS**

For fiscal year 2020 and 2021, the health care cost trend rates were modified.

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

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

**The Academy for Urban Scholars**  
**Franklin County, Ohio**  
**Notes to the Required Supplemental Information**  
**For the Fiscal Year Ended June 30, 2021**

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

*Changes in Benefit Terms - SERS*

There have been no changes to the benefit provisions.

*Changes in Benefit Terms – STRS*

For fiscal year 2021, 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.

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

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

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

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

To The Board of Directors  
The Academy for Urban Scholars  
1808 E. Broad Street  
Columbus, Ohio 43203

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Academy of Urban Scholars, Franklin County, Ohio (the “Academy”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated December 28, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rea & Associates, Inc.  
Gahanna, Ohio  
December 28, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
The Academy for Urban Scholars  
1808 E. Broad Street  
Columbus, OH 43203

**Report on Compliance for Each Major Federal Program**

We have audited the Academy for Urban Scholars, Franklin County, Ohio (the "Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2021. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Gahanna, Ohio  
December 28, 2021

**THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing #	Grant Year	Expenses	Total Provided to Subrecipients
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010A	2021	\$ 268,874	\$ -
Title I - School Improvement	84.010A	2021	200,000	-
Total Title I			468,874	-
<i>Special Education Cluster:</i>				
IDEA Part B	84.027A	2021	82,360	-
Total Special Education Cluster			82,360	-
Education Stabilization Fund - Elementary and Secondary School Emergency Relief- COVID-19	84.425D	2021	108,961	-
Title IV-A Student Support and Academic Enrichment Grant	84.424A	2021	11,645	-
Title II-A Improving Teacher Quality	84.367A	2021	14,215	-
Total U.S. Department of Education			686,055	-
<b>U. S. Department of Treasury</b>				
<i>Passed Through Ohio Department of Education:</i>				
Coronavirus Relief Funds-Broadband Connectivity-COVID-19	21.019	2021	139,695	-
Total U.S. Department of Treasury			139,695	-
<b>U. S. Department of Agriculture</b>				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2021	7,337	-
School Breakfast Program (COVID-19)	10.553	2021	935	-
National School Lunch Program	10.555	2021	7,355	-
National School Lunch Program (COVID-19)	10.555	2021	558	-
Total Child Nutrition Cluster			16,185	-
Total U.S. Department of Agriculture			16,185	-
<b>U. S. Department of Health and Human Services</b>				
<i>Passed Through Franklin County, Ohio:</i>				
Temporary Assistance for Needy Families (TANF)	93.558	2021	178,147	-
Total U.S. Department of Health and Human Services			178,147	-
<b>U. S. Department of Labor</b>				
<i>Passed Through the Workforce Development Board of Central Ohio, Inc.:</i>				
Out-of-School Youth	17.259	2021	207,842	-
Total U.S. Department of Labor			207,842	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 1,227,924</b>	<b>\$ -</b>

The accompanying notes are an integral part of this schedule.

**THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(B)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of The Academy for Urban Scholars, Franklin County, Ohio (the Academy) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Academy has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - TRANSFERS**

The Academy generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, an Academy can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. During fiscal year 2021, the ODE authorized the following transfers:

AL Number / Grant Title	Grant Year	Transfer Out	Transfer In
84.010 Title I	2020	\$ 11,910	
84.010A Title I	2021		\$ 11,910
84.010A Title I - School Improvement	2020	2,800	
84.010A Title I - School Improvement	2021		2,800
84.367 Title II-A Improving Teacher Quality	2020	1,143	
84.367A Title II-A Improving Teacher Quality	2021		1,143
84.424A Title IV-A Student Support and Academic Enrichment	2020	2,216	
84.424A Title IV-A Student Support and Academic Enrichment	2021		2,216
		<u>\$ 18,069</u>	<u>\$ 18,069</u>

**NOTE D - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State Grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



**THE ACADEMY FOR URBAN SCHOLARS  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR §200.515  
JUNE 30, 2021**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d) (1) (iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list):  Title I/Title I School Improvement Education Stabilization Fund – Elementary and Secondary School Emergency Relief –COVID 19	AL # 84.010A  AL # 84.425D
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None were noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None were noted.

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# OHIO AUDITOR OF STATE KEITH FABER



**ACADEMY FOR URBAN SCHOLARS**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/15/2022**

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

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