OHIO AUDITOR OF STATE
KEITH FABER

SMART ACADEMY
CUYAHOGA COUNTY
JUNE 30, 2021

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

SMART Academy
Cuyahoga County
4351 East 131st Street
Garfield Heights, Ohio 44105

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the SMART Academy, Cuyahoga 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2022

Management's Discussion and Analysis

The discussion and analysis of SMART Academy (the Academy) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the financial performance of Academy as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of the Academy.

Financial Highlights

Key financial highlights for 2021 include the following:

- In the third year of operations, the Academy successfully expanded enrollment from 86 to 123 students serving students in grades kindergarten through 4.

- Through a combination of increased revenues, controlled spending and proper planning, the Academy continued to make significant progress to stabilize its' financial position.

- During mandatory building closure due to the Coronavirus pandemic, the Academy successfully transitioned to an online virtual educational model and continued to provide a superior education for their students and families while maintaining positive community relations in the Academy's surrounding neighborhood.

- The Academy acquired tablets and mobile hot spots with federal Elementary & Secondary School Emergency Relief Fund (ESSER) and Broadband Ohio Connectivity Program funds. These were used to provide online instruction while students remained home during the mandatory building closure.

- Classroom furniture, equipment and supplies were purchased with ESSER funds to comply with recommended pandemic safety and social distancing guidelines for in-person instruction. Supplies were also used to supplement at home online instruction in an attempt to mitigate educational loss due to the pandemic.

- Building improvements were made to minimize touching various surfaces. These include:
    - touchless flush valves, soap dispensers, and towel dispensers
    - hallway handwashing stations
    - touchless antibacterial hand lotion dispensers
    - replacing water fountains with water bottle filling stations

- During the current fiscal year, the U.S. Small Business Administration forgave Payroll Protection Program Loan principal and interest totaling $78,487.

Using this Financial Report

This report consists of four parts: Management's Discussion and Analysis, the Financial Statements, Notes to the Financial Statements and Required Supplemental Information. The Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position looks at how well the Academy has performed financially through June 30, 2021. This statement includes all the assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting considers all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended. The following schedule provides a summary Statement of Net Position for fiscal year ended June 30, 2021 and 2020 for the Academy.

	2021	2020	Change	%
Assets				
Cash	$233,203	$80,613	$152,590	189.3%
Other Current Assets	56,446	11,461	44,985	392.5%
Non-Current Assets	49,198	38,836	10,362	26.7%
Deferred Outflow of Resources	557,257	491,047	66,210	13.5%
Total Assets and Deferred Outflow of Resources	896,104	621,957	274,147	44.1%
Liabilities				
Current Liabilities	132,060	181,921	(49,861)	-27.4%
Long-Term Liabilities	821,957	705,415	116,542	16.5%
Deferred Inflow of Resources	73,107	71,618	1,489	2.1%
Total Liabilities and Deferred Inflow of Resources	1,027,124	958,954	68,170	7.1%
Net Position				
Unrestricted	(131,020)	(336,997)	205,977	61.1%
Total Net Position	($131,020)	($336,997)	$205,977	61.1%

Total Net Position increased $205,977 from 2020 to 2021.

For assets, cash increased $152,590; other receivable increased $1,822; due from other governments increased $43,163; OPEB asset increased $10,362; and deferred outflow of resources increased $66,210 from 2020.

For liabilities accounts payable decreased $21,110; interest payable decreased $331; accrued wages increased $19,630; accrued benefits increased $3,337; due to other governments decreased $4,136; loans payable (including PPP Loan) decreased $148,777; OPEB liability increased $8,076; net pension liability increased $209,992 and deferred inflow of resources increased $1,489 from 2020.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating activities for the fiscal year ended June 30, 2021. The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for the Academy for fiscal year ended June 30, 2021 compared to 2020.

	2021	2020	Change	%
Revenues				
Foundation, Facilities & Economic Disadvantaged Revenues	$1,134,409	$731,577	$402,832	55.1%
Casino Tax Distributions	4,874	3,451	1,423	41.2%
Other Operating Revenues	9,133	2,726	6,407	235.0%
Total Operating Revenues	1,148,416	737,754	410,662	55.7%
Interest Income	15	6	9	150.0%
Contributions	0	400	(400)	-100.0%
Federal and State Grants	444,321	177,149	267,172	150.8%
Total Non-Operating Revenues	444,336	177,555	266,781	150.3%
Total Revenues	1,592,752	915,309	677,443	74.0%
Expenses				
Salaries	623,735	376,186	247,549	65.8%
Fringe Benefits	152,113	103,904	48,209	46.4%
Pension and OPEB Expense	142,985	119,151	23,834	20.0%
Purchased Services	295,103	231,336	63,767	27.6%
Materials and Supplies	53,642	20,588	33,054	160.5%
Capital Outlay	81,199	12,846	68,353	532.1%
Other Expenses	37,998	31,291	6,707	21.4%
Total Expenses	1,386,775	895,302	491,473	54.9%
Changes in Net Position	205,977	20,007	185,970	929.5%
Net Position: Beginning of the Year	(336,997)	(357,004)	20,007	5.6%
Net Position: End of Year	($131,020)	($336,997)	$205,977	61.1%

Net Position increased in the fiscal year ended June 30, 2021 due to an increase in enrollment for 2021 combined with increased federal grant funding (in part due to emergency pandemic funding); and partially offset by increases in expenses in every expense category. Although certain expenditures such as salaries will increase as the number of classes increase, other costs remain fixed such as facilities costs resulting in more efficient operations. Additionally, grants have been received to supplement various educational programs and purchase educational equipment.

The most significant changes in revenues from 2020 to 2021 are directly related to the increased enrollment resulting in increases of $402,832 in State Foundation funding and increases of $1,423 from Casino Tax Revenues. Additional increases of $267,172 in state and federal grant funds resulted from enrollment increases and emergency federal funding. Minor increases and decreases occurred in other categories of revenues.

Expenses increased $491,473 from 2020 to 2021 due to expense increases in all expenses categories. Salaries and Fringe Benefits increased $295,758 due to staff additions and regular annual increases. An increase in Net Pension and OPEB expense totaling $23,834 is due to recognition of pension and OPEB liabilities for the increases in staff. Purchased services increased $63,767 due to increased student services, sponsor fees, legal services, marketing, and food services. Materials and Supplies increased $33,054 due to purchase increases for instruction software, special education supplies, administrative software and supplies, medical supplies, custodial supplies and maintenance supplies. A significant portion of materials and supplies purchases were made to mitigate the effect of COVID. Capital Outlay increased $68,353 due to substantial instructional technology purchases and building fixtures and equipment purchases all of which are directly related to COVID related responses by Academy. Other Expenses increased $6,707 due to a combination of increases in audit fees, accounting services, and insurance expenses with decreases for dues and fees, bank service charges and miscellaneous expenses.

Loans Payable

On March 15, 2018, the Academy secured a $75,000 (seventy-five thousand dollar) loan for start-up operations. The loan is for a term of three years (36 months) with interest at 9.00% per annum and expires on September 1, 2021. Principal payments during fiscal year 2021 totaled $26,867 and interest expense totaled $1,752. As of June 30, 2021, the outstanding principal balance is $4,717.

On July 23, 2018, the Academy secured a $199,500 (one hundred ninety-nine thousand five hundred dollar) loan for start-up operations. The loan is for a term of five years (60 months) with interest at 5.875% per annum and expires on November 1, 2023. Principal payments during fiscal year 2021 totaled $44,160 and interest expense totaled $8,136. As of June 30, 2021, the outstanding principal balance is $118,039 and interest payable totaling $578 has been recorded.

The Academy applied for and received a Paycheck Protection Program loan totaling $77,750 during fiscal year 2020. Under the terms of the program, the Academy applied for and received full forgiveness of the loan and accrued interest in fiscal year 2021. A non-cash transaction for $78,487 of federal grants revenue was booked for the forgiveness.

Net Pension and Other Post-Employment Benefits (OPEB) Liabilities/Assets

The net pension liability is the largest single liability reported by the Academy at June 30, 2021 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pension and 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 inflow related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflow 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 liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. If 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 include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflow/outflow.

Current Financial Issues

The Academy opened in the fall of 2018 with a total of forty-one students, five teaching staff members and one administrative assistant staff. Expenses for the year totaled $720,965. During the start-up period and first operating year, the Academy's enrollment was significantly lower than anticipated. As a result, revenues were insufficient to cover expenses resulting in an operating loss for the year. To provide sufficient cash-flow the Board of Directors authorized obtaining loans to be amortized over the next six years. At the same time expenses were reduced and carefully monitored.

For the 2021 school year a budget was adopted by the Board of Directors providing the Academy sufficient financial resources to operate effectively. Enrollment increased to one hundred twenty three students with staff increasing to thirteen teaching staff and four administrative staff. Expenses for the year totaled $1,386,775 with the Academy realizing an improvement in the year end Net Position.

The Board of Directors, school management and school staff work diligently to ensure that the Academy maintains the highest level of educational services and financial integrity possible. Our goal continues to be providing a strong educational product for our students and families and to fulfill the Mission of the Academy.

The Academy's Response to the Coronavirus Pandemic

During March 2020 a mandatory building closure was ordered by the state Governor due to the Coronavirus pandemic, the Academy successfully transitioned to an online virtual educational model and continued to provide a superior education for their students and families. Due to uncertainty regarding ongoing Coronavirus outbreaks, the Academy has adopted approved protocols to minimize exposure risks to students, staff and families. For school year 2021 implementation of an educational model combining virtual online learning and in person on-site classes was utilized. Academy intends to continue providing a high-quality educational experience for students and families while maintaining positive community relations in the Academy's surrounding neighborhood throughout the pandemic.

Contacting the Academy's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for the Academy and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Melissa C. Miavez, by mail at SMART Academy, 4351 E. 131st Street, Garfield Heights, Ohio 44105; by e-mail at mmiavez@tatonkaeducation.org; or by calling 303.495.2778.

SMART Academy
Cuyahoga County, Ohio
Statement of Net Position
As of June 30, 2021

Current Assets:	
Cash	$233,203
Due from Other Governments	54,622
Other Receivables	1,824
Total Current Assets	289,649
Non-Current Assets:	
Security Deposit	6,192
Net OPEB Asset	43,006
Total Non-Current Assets	49,198
Total Assets	338,847
Deferred Outflow of Resources:	
Pension	495,895
OPEB	61,362
Total Deferred Outflow of Resources	557,257
Total Assets and Deferred Outflow of Resources	896,104
Current Liabilities:	
Accounts Payable	15,181
Interest Payable	578
Accrued Wages	54,873
Accrued Benefits	9,666
Due to Other Governments	220
Loans Payable	51,542
Total Current Liabilities	132,060
Long Term Liabilities:	
Loans Payable	71,214
Net Pension Liability	713,440
Net OPEB Liability	37,303
Total Long Term Liabilities	821,957
Total Liabilities	954,017
Deferred Inflow of Resources:	
Pension	3,786
OPEB	69,321
Total Deferred Inflow of Resources	73,107
Total Liabilities and Deferred Inflow of Resources	1,027,124
Net Position:	
Unrestricted	(131,020)
Total Net Position	($131,020)

The accompanying notes to the financial statements are an integral part of this statement.

SMART Academy
Cuyahoga County, Ohio
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Operating Revenues:	
Foundation, Economic Disadvantaged & Facilities Revenues	$1,134,409
Casino Tax Distribution	4,874
Other Operating Revenues	9,133
Total Operating Revenues	1,148,416
Operating Expenses:	
Salaries	623,735
Fringe Benefits	152,113
Pension and OPEB Expense	142,985
Purchased Services	295,103
Materials and Supplies	53,642
Capital Outlay	81,199
Other Operating Expenses	27,461
Total Operating Expenses	1,376,238
Operating Loss	(227,822)
Non-Operating Revenues & Expenses:	
Interest Income	15
Interest Expense	(10,537)
PPP Loan Forgiveness	78,487
Federal and State Grants	365,834
Total Non-Operating Revenues & Expenses	433,799
Change in Net Position	205,977
Net Position at Beginning of the Year	(336,997)
Net Position at End of Year	($131,020)

The accompanying notes to the financial statements are an integral part of this statement.

SMART Academy
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Increase (Decrease) in Cash:	
Cash Flows Used for Operating Activities:	
Cash Received from State of Ohio	$1,139,283
Cash Payments to Employees for Services	(604,105)
Cash Payments to Suppliers for Goods and Services	(636,353)
Other Operating Revenues	9,133
Net Cash Used for Operating Activities	(92,042)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	326,397
Principal Payments	(71,027)
Interest Payments	(10,753)
Net Cash Provided by Noncapital Financing Activities	244,616
Cash Flows from Investing Activities	
Interest	15
Net Cash Provided by Investing Activities	15
Net Increase in Cash	152,590
Cash at Beginning of Year	80,613
Cash at End of Year	$233,203

Non-Cash Transaction:
During Fiscal Year 2021 the U.S. Small Business Administration forgave Payroll Protection Program Loan principal and interest totaling $78,487.

The accompanying notes to the financial statements are an integral part of this statement.

SMART Academy
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(Continued)

Reconciliation of Operating Loss to Net Cash Flows Used for Operating Activities:	
Operating Loss	($227,822)
Changes in Assets, Liabilities, Deferred Inflows of Resources and Deferred Outflows of Resources:	
(Increase) in Due from Other Governments	(3,103)
(Increase) in Other Receivables	(1,822)
(Increase) in Net OPEB Asset	(10,362)
(Increase) in Deferred Outflows - Pension	(51,979)
(Increase) in Deferred Outflows - OPEB	(14,231)
(Decrease) in Accounts Payable	(21,110)
Increase in Accrued Wages	19,630
Increase in Accrued Benefits	3,337
(Decrease) in Due to Other Governments	(4,137)
Increase in Net Pension Liability	209,992
Increase in Net OPEB Liability	8,076
(Decrease) in Deferred Inflows - Pension	(20,271)
Increase in Deferred Inflows - OPEB	21,760
Total Adjustments	135,780
Net Cash Flows Used for Operating Activities	($92,042)

The accompanying notes to the financial statements are an integral part of this statement.

I. Description of the School and Reporting Entity

SMART Academy (the Academy) is a nonprofit corporation established April 14, 2017 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under § 501(c)(3) of the Internal Revenue Code. On February 12, 2019, the Academy received a determination letter confirming tax-exempt status with the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status of the Academy. The Academy, which is part of Ohio's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract between the Governing Authority of the Academy and Buckeye Community Hope Foundation (BCHF) (the Sponsor) for a period of five-years commencing July 1, 2018. The contract with BCHF has been superseded with a new five-year agreement commencing July 1, 2019 and expiring June 30, 2024. Under the terms of the contract BCHF will provide sponsorship services for a fee. See Note XI for further discussion of the sponsor services.

The Academy operates under a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls the instructional facilities for Academy, which is staffed by 13 certificated full-time personnel and 4 support staff who provided services to 123 students.

II. Summary of Significant Accounting Policies

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

1. Basis of Presentation

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

2. 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, deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy prepares financial statements using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when the 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 resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

3. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2021, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB Statement No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61, 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 the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

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

4. Cash and Cash Equivalents

All monies received by the Academy are deposited in demand deposit accounts and are considered to be cash and cash equivalents.

5. 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 of Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

6. Due from Other Governments

Monies due the Academy for the year ended June 30, 2021 are recorded as Due from Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

7. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Economic Disadvantaged Program, Community Schools Facilities Allocation, Casino Tax Distribution, Student Wellness and Success Program and the School Safety Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy also participates in Federal Entitlement Programs, the Federal Lunch Reimbursement Program, and various Emergency COVID related funding programs (including Payroll Protection Program Loan Forgiveness). Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

Amounts awarded under the above-named programs for the 2021 school year totaled $1,583,604.

8. Private Grants and Contributions

The Academy receives grants and contributions from private sources to the support Academy's' programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. The Academy did not receive any grants or contributions for the 2021 school year.

9. Compensated Absences

Teaching and office staff: Teaching and office staff are provided Paid Time Off (PTO) leave totaling seven (7) days per year, all of which is available the first day of each fiscal year. PTO is pro-rated for employees beginning employment after the first day of the school year. Unused PTO is carried over into the next school year and is capped at fifteen days in any given school year. Upon separation employee shall be compensated for all unused PTO only if they are non-renewed for the next school year. Employees who resign or are terminated forfeit all unused accumulated PTO.

Superintendent: The Academy provides Superintendent compensated time off in the amount of three (3) personal days annually; one and one-quarter (1.25) days sick leave each month totaling fifteen (15) days annually; and thirty (30) vacation days annually.

Upon retirement from employment through the STRS, Superintendent may elect to be paid for a percentage of his balance of accrued but unused sick leave. All vacation leave accrued and unused by Superintendent is accumulated and carried forward annually. Upon separation from employment, Superintendent will be compensated at the current per diem rate of pay for all accrued and unused vacation leave. Compensation for unused vacation leave is capped at the leave accrued during the three (3) years immediately preceding the date of separation.

During the school year, the Academy accrued compensated absences earned by employees returning for the next fiscal year totaling $12,577 and corresponding employer state retirement system contributions totaling $3,337. As of June 30, 2021, compensated absence balances total $36,390 and corresponding employer state retirement system contributions total $9,666 respectively. These balances are included in Accrued Wages and Accrued Benefits.

10. Pensions and Other Postemployment Benefits (OPEB)

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

11. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full using current financial resources, are reported as obligations. However, claims and judgments, compensated absences that will be paid from available funds are reported as a liability in the financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

12. Use of Estimates

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

13. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of assets by the Academy 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 and OPEB as explained in Notes VIII and IX.

Deferred inflows of resources represent an acquisition of assets by the Academy that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources are reported on the statement of net position for pension and OPEB as explained in Notes VIII and IX.

14. Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

15. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. For the Academy, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

III. Deposits

At fiscal year end June 30, 2021, the carrying amount of the Academy's deposits totaled $233,203 and its bank balance was $255,545. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2021, $5,545 of the bank balance was exposed to custodial risk as discussed below, while $250,000 was covered by the Federal Depository Insurance Corporation.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred and two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPC will collateralize utilizing the specific pledge method at one hundred and five percent.

IV. Loans Payable/Related Party Transactions

On March 15, 2018, the Academy secured a $75,000 (seventy-five thousand dollar) loan with Bridget Williams, a private citizen and former member of the Board of Directors, for start-up operations. The loan is for a term of three years with interest at 9.00% per annum. Per the loan agreement, interest and principal are paid in equal monthly installments starting October 1, 2018, with loan maturity occurring on September 1, 2021. Principal payments during fiscal year 2021 totaled $26,867 and interest expense totaled $1,752. As of June 30, 2021, the outstanding principal balance is $4,717. There is no interest payable as of June 30, 2021. Future principal and interest due on the outstanding loan payable as of June 30, 2021 is as follows:

Year	Principal	Interest	Total
2022	$ 4,717	$ 53	$ 4,770
Total	$ 4,717	$ 53	$ 4,770

On July 23, 2018, the Academy secured a $199,500 (one hundred ninety-nine thousand five hundred dollar) loan with IFF, an Illinois not for profit corporation, for start-up operations. The loan is for a term of five years with interest at 5.875% per annum. Per the loan agreement, interest on advances was paid through December 1, 2018. Monthly principal and interest payments in equal monthly installments began December 1, 2018, with loan maturity occurring on November 1, 2023. During August 2019 the Academy obtained an amendment to the loan agreement. This first amendment provided for the deferral of monthly payments between May 1, 2019 and October 1, 2019. The principal balance was adjusted to capitalize accrued interest during the deferral period totaling $5,218. Monthly payments have been increased to keep the loan expiration date at November 1, 2023. Principal payments during fiscal year 2021 totaled $44,160 and interest expense totaled $8,136. As of June 30, 2021, the outstanding principal balance is $118,039. Interest payable totaling $578 has been recorded as a current liability as of June 30, 2021. Future principal and interest due on the outstanding loan payable as of June 30, 2021 is as follows:

Year	Principal	Interest	Total
2022	$ 46,825	$ 5,687	$ 52,512
2023	49,651	2,861	52,512
2024	21,563	317	21,880
Total	$118,039	$ 8,865	$126,904

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 Huntington National Bank under PPP. The unsecured note had a principal amount of $77,750 maturing on May 4, 2022.

The Academy fulfilled all requirements for 100% forgiveness and filed a forgiveness application during fiscal year 2021. The U.S. Small Business Administration subsequently approved full loan forgiveness. Liabilities for principal totaling $77,750 and interest totaling $737 have been reported as PPP Loan Forgiveness (a Non-Operating Revenue) during the current fiscal year.

V. Purchased Services

Purchased Services during fiscal year 2021 include the following:

Instruction	$4,276
Pupil Support Services	57,699
Staff Development & Support	1,602
Administrative	57,202
Occupancy Costs	108,090
Food Services	66,234
Total Purchased Services	$295,103

VI. Facility Lease

The Academy leases its facility at 4341 East 131st Street, Garfield Heights, Ohio from the Bishop of the Catholic Diocese of Cleveland as Trustee for Holy Spirit Parish (landlord) under a five-year agreement beginning July 1, 2018 and expiring June 30, 2023. Annual rent charged to the Academy was $74,303 during fiscal year 2019; $78,000 per year for fiscal years 2020 and 2021; and increases to $81,900 per year for fiscal years 2022 and 2023. The Academy is responsible for all operating and maintenance costs incurred at the facility. A $6,192 security deposit was paid to landlord in July 2018. During 2021 the total rent paid by the Academy was $78,000. Future minimum lease payments are as follows:

Year	Lease Payments
2022	$ 81,900
2023	81,900
Total	$163,800

VII. Risk Management

1. Property and Liability Insurance

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2021, the Academy contracted with Maxum Indemnity for property and liability insurance and Indian Harbor Insurance Company for educator liability and school leaders' errors and omissions insurance.

General property and liability insurance are covered at $1,000,000 single occurrence limit and $2,000,000 aggregated. Other coverage includes Crime, Educators Liability, School Leaders Errors & Omissions, Cyber Liability and Business Interruption. There have been no claims to date against these policies.

2. Workers' Compensation

The Academy makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. There have been no claims filed by the Academy employees with the Ohio Workers' Compensation System between July 1, 2020 and June 30, 2021.

3. Employee Medical, Dental and Vision Benefits

The Academy provides medical, dental and vision insurance benefits to all full-time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits paid by the Academy for the fiscal year is $23,000.

VIII. Defined Benefit Pension Plans

1. Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

2. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The Academy's contractually required contribution to SERS was $14,533 for fiscal year 2021.

3. Plan Description - State Teachers Retirement System (STRS)

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

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

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

Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.
The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lump-sum withdrawal.

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

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

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

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

The Academy's contractually required contribution to STRS was $70,835 for fiscal year 2021.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00183550%	0.00244679%	
Prior Measurement Date	0.00113020%	0.00197078%	
Change in Proportionate Share	0.00070530%	0.00047601%	
Proportionate Share of the Net Pension Liability	$ 121,404	$ 592,036	$ 713,440
Pension Expense	$ 54,817	$ 168,293	$ 223,110

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.

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 237	$ 1,329	$ 1,566
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,708	28,792	36,500
Changes of Assumptions	-	31,781	31,781
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	37,670	303,010	340,680
School Contributions Subsequent to the Measurement Date	14,533	70,835	85,368
Total Deferred Outflows of Resources	$ 60,148	$ 435,747	$ 495,895
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ -	$ 3,786	$ 3,786
Total Deferred Inflows of Resources	$ -	$ 3,786	$ 3,786

$85,368 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	$ 28,175	$ 113,978	$ 142,153
2023	11,814	103,826	115,640
2024	3,214	110,804	114,018
2025	2,412	32,518	34,930
	$ 45,615	$ 361,126	$ 406,741

5. 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.

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

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

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

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

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

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

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

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

Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	$ 166,308	$ 121,404	$ 83,728

6. 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
Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Cost Method	Entry Age Normal (Level Percent of Payroll)
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent, Effective July 1, 2017

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	$ 842,956	$ 592,036	$ 379,402

IX. Defined Benefit OPEB Plans

1. 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Academy's surcharge obligation was \$2,073.

2. Plan Description - State Teachers Retirement System (STRS)

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00171600%	0.00244700%	
Prior Measurement Date	0.00116200%	0.00197100%	
Change in Proportionate Share	0.00055400%	0.00047600%	
Proportionate Share of the Net OPEB Liability (Asset)	$ 37,303	$ (43,006)	
OPEB Expense	$ 7,862	$ (546)	$ 7,316

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	
Deferred Outflows of Resources						
Differences between Expected and Actual Experience	$	489	$	2,754	$	3,243
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		420		1,508		1,928
Changes of Assumptions		6,358		710		7,068
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions		36,925		10,125		47,050
School Contributions Subsequent to the Measurement Date		2,073		-		2,073
Total Deferred Outflows of Resources	$	46,265	$	15,097	$	61,362
Deferred Inflows of Resources						
Differences between Expected and Actual Experience	$	18,968	$	8,566	$	27,534
Changes of Assumptions		938		40,849		41,787
Total Deferred Inflows of Resources	$	19,906	$	49,415	$	69,321

$2,073 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS		STRS		Total	
Fiscal Year Ending June 30:						
2022	$	5,157	$	(9,096)	$	(3,939)
2023		5,189		(8,074)		(2,885)
2024		5,186		(7,717)		(2,531)
2025		5,227		(7,497)		(2,270)
2026		3,022		37		3,059
Thereafter		505		(1,971)		(1,466)
	$	24,286	$	(34,318)	$	(10,032)

4. Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

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

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

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. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 45,647	$ 37,303	$ 30,654

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 29,366	$ 37,303	$ 47,896

5. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuations 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	Initial	Ultimate
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.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 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 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (37,418)	$ (43,006)	$ (47,747)

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (47,453)	$ (43,006)	$ (37,589)

X. Contingencies

1. Grants

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

2. School Foundation

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform an FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the Academy for fiscal year 2021.

As of the date of this report, ODE adjustments for fiscal year 2021 have been finalized. FTE adjustments on the fiscal year 2021 financial statements for the Academy were immaterial.

XI. Sponsorship Agreement

The Academy entered into an agreement Buckeye Community Hope Foundation, to provide sponsorship and oversight services as required by law. The agreement effective July 1, 2018 was superseded with a new five-year agreement commencing July 1, 2019 and continues until June 30, 2024. Sponsorship fees were calculated as 3.00% of the Fiscal Year 2021 Foundation payments received by the Academy, from the State of Ohio. The total amount due from the Academy for fiscal year 2021 was $33,161 all of which was paid prior to June 30, 2021.

XII. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2021 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Academy. The Academy's investment portfolio and the investments of the pension and other employee benefit plans in which the Academy participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

XIII. Subsequent Events

During the current reporting period and prior to the issuance of this report, the Academy was named as the defendant in two lawsuits. One alleges breach of contract and the other wrongful discharge from employment.

The Academy settled the breach of contract suit by agreeing to pay plaintiff the sum of $14,000 in ten monthly installments of $1,400 each beginning October 15, 2021. Subsequent to the initial payment on October 15, 2021 the case was dismissed with prejudice (i.e., subject to timely payment of all installments).

Plaintiff and the Academy have agreed to settle the wrongful discharge of employment suit for the sum of $20,000. Details to finalize the settlement are currently being finalized.

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SMART Academy
Cuyahoga County, Ohio

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2021	2020
School Employees Retirement System (SERS)		
Academy's Proportion of the Net Pension Liability	0.00183550%	0.00113020%
Academy's Proportionate Share of the Net Pension Liability	$ 121,404	$ 67,622
Academy's Covered Payroll	$ 64,350	$ 38,770
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.66%	174.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%
State Teachers Retirement System (STRS)		
Academy's Proportion of the Net Pension Liability	0.00244679%	0.00197078%
Academy's Proportionate Share of the Net Pension Liability	$ 592,036	$ 435,826
Academy's Covered Payroll	$ 295,286	$ 231,379
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.50%	188.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%

(1) Information prior to 2020 is not available.

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

See accompanying notes to the required supplementary information.

SMART Academy
Cuyahoga County, Ohio

Required Supplementary Information
Schedule of the Academy's Contributions - Pension
Last Three Fiscal Years (1)

	2021	2020	2019
School Employees Retirement System (SERS)			
Contractually Required Contribution	$ 14,533	$ 9,009	$ 5,234
Contributions in Relation to the Contractually Required Contribution	(14,533)	(9,009)	(5,234)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Academy's Covered Payroll	$ 103,807	$ 64,350	$ 38,770
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%
State Teachers Retirement System (STRS)			
Contractually Required Contribution	$ 70,835	$ 41,340	$ 32,393
Contributions in Relation to the Contractually Required Contribution	(70,835)	(41,340)	(32,393)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Academy's Covered Payroll	$ 505,964	$ 295,286	$ 231,379
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) Information prior to fiscal year 2019 is unavailable

See accompanying notes to the required supplementary information.

SMART Academy
Cuyahoga County, Ohio

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability/(Asset)
Last Two Fiscal Years (1)

	2021	2020
School Employees Retirement System (SERS)		
Academy's Proportion of the Net OPEB Liability	0.00171600%	0.00116200%
Academy's Proportionate Share of the Net OPEB Liability	$ 37,303	$ 29,227
Academy's Covered Payroll	$ 64,350	$ 38,770
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	57.97%	75.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%
State Teachers Retirement System (STRS)		
School's Proportion of the Net OPEB Liability/(Asset)	0.00244700%	0.00197100%
School's Proportionate Share of the Net OPEB Liability/(Asset)	$ (43,006)	$ (32,644)
School's Covered Payroll	$ 295,286	$ 231,379
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.56%	-14.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%

(1) Information prior to 2020 is not available.

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

See accompanying notes to the required supplementary information.

SMART Academy
Cuyahoga County, Ohio

Required Supplementary Information
Schedule of the Academy's Contributions - OPEB
Last Three Fiscal Years (2)

	2021	2020	2019
School Employees Retirement System (SERS)			
Contractually Required Contribution (1)	$ 2,073	$ 212	$ 922
Contributions in Relation to the Contractually Required Contribution	(2,073)	(212)	(922)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Academy's Covered Payroll	$ 103,807	$ 64,350	$ 38,770
OPEB Contributions as a Percentage of Covered Payroll (1)	2.00%	0.33%	2.38%
State Teachers Retirement System (STRS)			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Academy's Covered Payroll	$ 505,964	$ 295,286	$ 231,379
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) Includes surcharge
(2) Information prior to 2019 not available.

See accompanying notes to the required supplementary information.

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions - SERS

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

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

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - SERS

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

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

Changes in Benefit Terms - STRS

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

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

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

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

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

Pre-Medicare

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

Medicare

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

Changes in Assumptions – STRS

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

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

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

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

For fiscal year 2020, there was no change to the claim’s 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.

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OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

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

SMART Academy
Cuyahoga County
4351 East 131st Street
Garfield Heights, Ohio 44105

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the SMART Academy, Cuyahoga 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 October 17, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Significant Deficiency-Cash Management	Partially Corrected	No overdraft fees in FY 21 No voided checks reported on the FY 21 cash reconciliation Noted two checks on outstanding check listing older than six months. This has been reported to management in the management letter

OHIO AUDITOR OF STATE
KEITH FABER

SMART ACADEMY

CUYAHOGA 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 11/10/2022