



OHIO AUDITOR OF STATE
KEITH FABER



**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY
JUNE 30, 2022**

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**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY
JUNE 30, 2022**

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

INDEPENDENT AUDITOR'S REPORT

Bella Academy of Excellence
Cuyahoga County
19114 Bella Drive
Cleveland, Ohio 44119

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bella Academy of Excellence, Cuyahoga County, Ohio (The Academy), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2022, and the changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and related emergency measures may impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 24, 2023

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED

The discussion and analysis of the Bella Academy of Excellence (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position was deficit \$2,067,805 as of June 30, 2022.
- The Academy had operating revenues of \$1,885,612, operating expenses of \$3,789,446, non-operating revenues of \$2,199,919, and non-operating expenses of \$82,977 for fiscal year 2022.
- The Academy implemented GASB Statement No. 87, "*Leases*", in fiscal year 2022, which resulted in the reporting of capital assets for the intangible right to use leased building and lease payable at July 1, 2021. See Notes 3, 6 and 7 to the basic financial statements for detail.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2022?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
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The net position amounts for 2021 have been restated to include capital assets for the intangible right to use, leased buildings and lease payable as a result of the implementation of GASB Statement No. 87. The table below provides a summary of the Academy's net position for fiscal year 2022 and 2021.

| Net Position | | |
|--|-----------------------|---------------------------|
| | <u>2022</u> | (Restated) <u>2021</u> |
| <u>Assets</u> | | |
| Current assets | \$ 290,273 | \$ 259,039 |
| Non-current assets | <u>1,113,034</u> | <u>1,580,558</u> |
| Total assets | <u>1,403,307</u> | <u>1,839,597</u> |
| <u>Deferred outflows of resources</u> | <u>542,658</u> | <u>454,720</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 294,835 | 255,973 |
| Non-current liabilities | <u>2,315,898</u> | <u>3,817,672</u> |
| Total liabilities | <u>2,610,733</u> | <u>4,073,645</u> |
| <u>Deferred inflows of resources</u> | <u>1,403,037</u> | <u>501,585</u> |
| <u>Net Position</u> | | |
| Investment in capital assets | (32,337) | - |
| Unrestricted (deficit) | <u>(2,035,468)</u> | <u>(2,280,913)</u> |
| Total net position (deficit) | <u>\$ (2,067,805)</u> | <u>\$ (2,280,913)</u> |

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

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

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

**BELLA ACADEMY OF EXCELLENCE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. On June 30, 2022, and 2021, the Academy's net position totaled deficits of (\$2,067,805) and (\$2,280,913), respectively.

Current assets represent cash, accounts and intergovernmental receivables. Current liabilities represent accounts and intergovernmental payables for management fees, sponsorship fees and legal fees. Refer to Notes 2.J, Note 5, Note 11.A and Note 11.B. for detail on the current receivables and payables.

Non-current assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS) and capital assets (intangible right to use, leased building). See Notes 6 and 9 for more detail.

Long-term liabilities represent the lease liability, net pension liability (see Note 8 for detail) and the net OPEB liability (see Note 9 for detail). Refer to Note 7 for a summary of the changes in the Academy's long-term obligations during fiscal year 2022.

The net pension liability decreased \$1,044,239 or 47.34% and deferred inflows of resources related to pension increased \$884,798. These changes were the result of changes at the pension system level for STRS and the School Employees Retirement System (SERS). Net investment income on investments at both pension systems exceeded estimates for the fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which cause a large increase in fiduciary net position.

**BELLA ACADEMY OF EXCELLENCE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED

The table below shows the changes in net position for fiscal years 2022 and 2021.

| | Change in Net Position | |
|---|-------------------------------|-----------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Operating Revenues:</u> | | |
| State foundation | \$ 1,885,612 | \$ 1,951,996 |
| Total operating revenue | <u>1,885,612</u> | <u>1,951,996</u> |
| <u>Operating Expenses:</u> | | |
| Purchased services: | | |
| Management fees | 3,147,473 | 2,559,791 |
| Sponsorship fees | 51,655 | 56,845 |
| Legal | 26,887 | 19,142 |
| Professional services | 34,084 | 34,173 |
| Property services | 34,523 | - |
| Operating lease payments | - | 556,004 |
| Amortization | 485,424 | - |
| Other | <u>9,400</u> | <u>7,512</u> |
| Total operating expenses | <u>3,789,446</u> | <u>3,233,467</u> |
| <u>Non-operating Revenues:</u> | | |
| Private contributions - Imagine Schools | 223,214 | 119,642 |
| Federal and State grants | 1,959,773 | 1,116,923 |
| Other non-operating revenue | 16,932 | - |
| Interest expense | <u>(82,977)</u> | <u>-</u> |
| Total non-operating revenues | <u>2,116,942</u> | <u>1,236,565</u> |
| Change in net position | 213,108 | (44,906) |
| Net position (deficit) at beginning of year | <u>(2,280,913)</u> | <u>(2,236,007)</u> |
| Net position (deficit) at end of year | <u>\$ (2,067,805)</u> | <u>\$ (2,280,913)</u> |

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from Federal entitlement programs. During fiscal year 2022, the Academy provided services to 188 students, compared to 242 students in 2021. The decrease in enrollment resulted in the decrease in State foundation revenue in fiscal year 2022.

The Academy relies on State foundation revenues for operations, with 46.15% and 61.22% of total revenues coming from State foundation for fiscal years 2022 and 2021, respectively. Federal and state grants include monies received from the Child Nutrition Cluster, IDEA-B Special Education, IDEA-B Early Childhood, Title I, Title I-A, Title IV-A, Title II-A, Expanding Opportunities for each Child, Elementary and Secondary Education Emergency Relief, BroadbandOhio Connectivity, and Coronavirus Relief programs. During fiscal year 2022, the Academy was designated a Community School of Quality, and was eligible to receive up to \$1,750 in each fiscal year for each pupil identified as economically disadvantaged and up to \$1,000 in each fiscal year for all other pupils. The Academy received \$397,522 from the Quality Community School support program.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
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Expenses in fiscal year 2022 compared to 2021 vary due to amortization expense being reported on the intangible right to use capital assets and interest expense on the lease payable, both related to the implementation of GASB Statement No. 87. Operating lease payments are included in the fiscal year 2021 expenses. The Academy contracted with Imagine Schools, Inc. for management services for fiscal years 2022 and 2021 (see Note 11.B to the notes to the financial statements for detail). The Academy received \$223,214 in private contributions from Imagine Schools, Inc. for the payment of direct expenses during fiscal year 2022.

Debt

The Academy had a lease payable in the amount of \$1,003,186 at June 30, 2022, of which \$481,774 is due within one year. See Note 7 for detail.

Capital Assets

The Academy reported capital assets, net of amortization in the amount of \$970,849 at June 30, 2022. Capital assets consist of intangible right to use, leased buildings. See Note 6 for detail.

Restrictions and Other Limitations

The future stability of the Academy is not without challenges. The Academy does not receive any funds from taxes. The primary source of funding is the State foundation program. An economic slowdown in the State could result in budgetary cuts to education, which would have a negative impact on the Academy.

Current Financial Related Activities

The Academy is sponsored by St. Aloysius. The Academy is reliant upon State foundation monies and Federal Sub-Grants to offer quality, educational services to students.

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Lamb, Treasurer, Charter School Specialists, 19114 Bella Drive, Cleveland, Ohio 44119.

BASIC
FINANCIAL STATEMENTS

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2022

| | |
|--|----------------|
| Assets: | |
| Current assets: | |
| Cash | \$ 154,316 |
| Receivables: | |
| Accounts | 3,450 |
| Intergovernmental | 132,507 |
| Total current assets | 290,273 |
| Non-current assets: | |
| Net OPEB asset | 142,185 |
| Capital assets, net of amortization | 970,849 |
| Total non-current assets | 1,113,034 |
| Total assets | 1,403,307 |
| Deferred outflows of resources: | |
| Pension | 467,559 |
| OPEB | 75,099 |
| Total deferred outflows of resources | 542,658 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 285,650 |
| Intergovernmental payable | 3,450 |
| Accrued interest payable | 5,735 |
| Total current liabilities | 294,835 |
| Long-term liabilities: | |
| Due within one year | 481,774 |
| Due within more than one year: | |
| Net pension liability | 1,161,652 |
| Net OPEB liability | 151,060 |
| Other amounts due in more than one year | 521,412 |
| Total long-term liabilities | 2,315,898 |
| Total liabilities | 2,610,733 |
| Deferred inflows of resources: | |
| Pension | 1,130,480 |
| OPEB | 272,557 |
| Total deferred inflows of resources | 1,403,037 |
| Net position: | |
| Net investment in capital assets | (32,337) |
| Unrestricted (deficit) | (2,035,468) |
| Total net position (deficit) | \$ (2,067,805) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | |
|--|-----------------------|
| Operating revenues: | |
| State foundation | \$ 1,885,612 |
| Total operating revenues | <u>1,885,612</u> |
| Operating expenses: | |
| Purchased services: | |
| Management fees | 3,147,473 |
| Sponsorship fees | 51,655 |
| Legal | 26,887 |
| Professional services | 34,084 |
| Property services | 34,523 |
| Amortization | 485,424 |
| Other | 9,400 |
| Total operating expenses | <u>3,789,446</u> |
| Operating (loss) | <u>(1,903,834)</u> |
| Non-operating revenues (expenses) | |
| Private contributions - Imagine Schools | 223,214 |
| Federal and State grants | 1,959,773 |
| Other non-operating revenue | 16,932 |
| Interest expense | (82,977) |
| Total non-operating revenues (expenses) | <u>2,116,942</u> |
| Change in net position | 213,108 |
| Net position (deficit) at beginning of year | <u>(2,280,913)</u> |
| Net position (deficit) at end of year | <u>\$ (2,067,805)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | |
|---|-----------------------|
| Cash flows from operating activities: | |
| Cash received from State foundation | \$ 1,886,428 |
| Cash payments for purchased services: | |
| Management fees | (3,167,464) |
| Sponsorship fees | (51,679) |
| Legal fees | (26,403) |
| Professional services | (34,084) |
| Property services | (34,523) |
| Cash payments for other expenses | (9,400) |
| Net cash used in operating activities | <u>(1,437,125)</u> |
| Cash flows from noncapital financing activities: | |
| Cash received from Federal and State grants | 1,937,341 |
| Cash received from other non-operating revenue | 16,932 |
| Net cash provided by noncapital financing activities | <u>1,954,273</u> |
| Cash flows from capital and related financing activities: | |
| Principal retirement on lease | (453,087) |
| Interest expense on lease | (77,242) |
| Net cash used in capital and related financing activities | <u>(530,329)</u> |
| Net decrease in cash | (13,181) |
| Cash at beginning of year | <u>167,497</u> |
| Cash at end of year | <u>\$ 154,316</u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (1,903,834) |
| Adjustments: | |
| Amortization | 485,424 |
| Private contributions - Imagine Schools | 223,214 |
| Changes in assets, deferred outflows, liabilities, and deferred outflows | |
| Decrease in accounts receivable | 5,893 |
| (Increase) in intergovernmental receivable | (27,876) |
| (Increase) in net OPEB asset | (17,900) |
| (Increase) in deferred outflows - pensions | (78,243) |
| (Increase) in deferred outflows - OPEB | (9,695) |
| (Decrease) in accounts payable | 39,020 |
| (Decrease) in intergovernmental payable | (5,893) |
| (Decrease) in net pension liability | (1,044,239) |
| (Decrease) in net OPEB liability | (4,448) |
| Increase in deferred inflows - pensions | 884,798 |
| Increase in deferred inflows - OPEB | 16,654 |
| Net cash used in operating activities | <u>\$ (1,437,125)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Bella Academy of Excellence (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy provides students with an academically excellent opportunity by offering challenging curriculum richly infused with math, arts, science and technology and designed to engage all in the learning process; by maintaining a caring learning environment of affirmation; by working with parents and local communities to offer opportunities both in and out of the classroom that further develop the intellect and character of the students who choose to attend the school; and by utilizing innovative teaching techniques delivered by superior faculty in order to prepare all students for success in the ever-growing global community of the future. 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 under contract with St. Aloysius (the “Sponsor”) commencing on May 15, 2009 and ending on June 30, 2010. On June 28, 2010 the contract was renewed commencing on July 1, 2010 and ending on June 30, 2014. The contract was renewed on June 30, 2014, for a term of one year ending on June 30, 2015. On May 26, 2015 the contract was renewed for a term of one year and will automatically renew for one additional term through June 30, 2017. The contract was renewed for a term of three years commencing July 1, 2017 through June 30, 2020. On June 19, 2020 the contract was renewed for a term of six years commencing on July 1, 2020 and ending on June 30, 2026. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a Governing Board which must contain at least five Directors who are not owners or employees, or relatives of owners or employees, of any for-profit company that operates or manages the Academy. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Board controls the Academy’s instructional/support facility staffed by employees of the management company who provide services to 188 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

The Academy uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy’s finances meet its cash flow needs.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue 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 period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, see Notes 8 and 9 for deferred outflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments, differences between Academy contributions and proportionate share of contributions and changes in proportionate share related to the Academy's net pension liability and net OPEB liability/asset, see Notes 8 and 9, respectively, for detail.

E. Budgetary Process

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Each year, the Academy Governing Board, with the assistance of the Academy's designated fiscal officer, is required to adopt an annual budget by the thirty-first day of October using the format and following the guidelines prescribed by the Ohio Department of Education. Chapter 5705.39 of the Ohio Revised Code also requires the Academy to prepare a 5-year forecast, update it annually and submit it to the Superintendent of Public Instruction at the Ohio Department of Education (ODE).

F. Cash

Cash received by the Academy is reflected as "cash" on the statement of net position. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. The Academy did not have any investments during fiscal year 2022.

G. Capital Assets

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Academy has established a capitalization threshold of \$5,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

The Academy is reporting intangible right to use assets related to a leased building. The intangible asset is being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

H. Net Position

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

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

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation, Student Wellness and Success, Special Education, Disadvantaged Pupil Impact Aid, and Facilities Programs. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2022 school year totaled \$1,885,612.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue received during fiscal year 2022 was \$1,959,773.

J. Accrued Liabilities and Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net position. Accrued liabilities include accounts payable (e.g. amounts due to Imagine Schools Inc. as further described in Note 11.B., sponsor fees, and legal fees) and intergovernmental payables (e.g. amounts due to the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS)). Long-term obligations are detailed in Note 7 and include lease payable, net pension liability, and net OPEB liability. Net pension/OPEB liability should be recognized in the governmental funds 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.

K. Operating Revenues and Expenses

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

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2022, the Academy has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Academy's fiscal year 2022 financial statements. The Academy recognized \$1,456,273 in lease payable at July 1, 2021; however, this entire amount was offset by the intangible asset, right to use - leased buildings.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Academy.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Academy.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Academy.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Academy.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2022, the carrying amount of the Academy's deposits was \$154,316 and the bank balance was \$158,862. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, consisted of intergovernmental receivables (e.g. grants and entitlements and amounts due from ODE and amounts due from the retirement systems) and accounts receivable from Imagine Schools, Inc. All receivables are considered collectible in full.

NOTE 6 - CAPITAL ASSETS

Due to the implementation of GASB Statement No. 87 (see Note 3 for detail), the Academy has reported capital assets for intangible right to use, leased buildings at July 1, 2021, which is reflected in the schedule below. Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

| | (Restated) Balance 07/01/21 | Additions | Disposals | Balance 06/30/22 |
|----------------------------------|-----------------------------------|---------------------|-------------|---------------------|
| Capital assets, being amortized: | | | | |
| Intangible right to use: | | | | |
| Leased buildings | \$ 1,456,273 | \$ - | | \$ 1,456,273 |
| Accumulated amortization | <u>-</u> | <u>(485,424)</u> | <u>-</u> | <u>(485,424)</u> |
| Capital assets, net | <u>\$ 1,456,273</u> | <u>\$ (485,424)</u> | <u>\$ -</u> | <u>\$ 970,849</u> |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 (see Note 3 for detail), the Academy has reported an obligation for a lease payable (\$1,456,273) at July 1, 2021, which is reflected in the schedule below. The Academy's long-term obligations activity during fiscal year 2022 consisted of the following.

| | (Restated) Balance | | | Balance | Amounts |
|-----------------------------|-----------------------|------------------|-----------------------|----------------------|----------------------------|
| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2022</u> | <u>Due in One Year</u> |
| Lease payable | \$ 1,456,273 | \$ - | \$ (453,087) | \$ 1,003,186 | \$ 481,774 |
| Net pension liability: | | | | | |
| STRS | 1,711,102 | - | (848,859) | 862,243 | - |
| SERS | 494,789 | - | (195,380) | 299,409 | - |
| Total net pension liability | <u>2,205,891</u> | <u>-</u> | <u>(1,044,239)</u> | <u>1,161,652</u> | <u>-</u> |
| Net OPEB liability: | | | | | |
| SERS | 155,508 | - | (4,448) | 151,060 | - |
| Total long-term obligations | <u>\$ 3,817,672</u> | <u>\$ -</u> | <u>\$ (1,501,774)</u> | <u>\$ 2,315,898</u> | <u>\$ 481,774</u> |

Lease Payable

In a prior fiscal year, the Academy entered into a lease agreement for the right to use buildings for classroom space. In accordance with GASB Statement No. 87, the Academy has reported a capital asset for intangible right to use, leased buildings and a corresponding liability for the future scheduled payments under the lease agreement.

On January 1, 2019, the Academy entered into a lease agreement with Charter Schools Development Corporation (CSDC) to lease three lots of property to provide classroom space for the Academy. The term of the lease commenced on January 1, 2019 and ends on June 30, 2024. The Academy agrees to vacate the leased premises at the end of the lease term in the condition required of the lease agreement. The base rent is due on the first day of each calendar month during the lease term. The Academy shall also pay additional rent for operating expenses, real property tax and assessments, personal property and other taxes, insurance premiums, and utilities.

The following is a schedule of future lease payments under the lease agreements:

| Fiscal Year | <u>Lease Payable</u> | | |
|----------------|----------------------|------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2023 | \$ 481,774 | \$ 53,858 | \$ 535,632 |
| 2024 | 521,412 | 19,577 | 540,989 |
| Total | <u>\$ 1,003,186</u> | <u>\$ 73,435</u> | <u>\$ 1,076,621</u> |

Net Pension Liability: See Note 8 for information on the Academy's net pension liability.

Net OPEB Liability: See Note 9 for information on the Academy's net OPEB liability.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The Academy has contracted with Imagine Schools, Inc. (see Note 11.B) to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to the systems noted below.

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

Net Pension Liability/Net OPEB Liability/Asset

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

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

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

The 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.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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 was 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% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the Academy is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$49,859 for fiscal year 2022.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, 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 of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that 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.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Academy's contractually required contribution to STRS was \$110,957 for fiscal year 2022.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|----------------------|--------------|
| Proportion of the net pension liability prior measurement date | 0.007480700% | 0.007071710% | |
| Proportion of the net pension liability current measurement date | <u>0.008114700%</u> | <u>0.006743703%</u> | |
| Change in proportionate share | <u>0.000634000%</u> | <u>-0.000328007%</u> | |
| Proportionate share of the net pension liability | \$ 299,409 | \$ 862,243 | \$ 1,161,652 |
| Pension expense | \$ 17,574 | \$ (94,442) | \$ (76,868) |

At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|-------------------|-------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 29 | \$ 26,640 | \$ 26,669 |
| Changes of assumptions | 6,305 | 239,202 | 245,507 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 34,567 | - | 34,567 |
| Contributions subsequent to the measurement date | <u>49,859</u> | <u>110,957</u> | <u>160,816</u> |
| Total deferred outflows of resources | <u>\$ 90,760</u> | <u>\$ 376,799</u> | <u>\$ 467,559</u> |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|-------------------|---------------------|
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 7,765 | \$ 5,404 | \$ 13,169 |
| Net difference between projected and actual earnings on pension plan investments | 154,204 | 743,090 | 897,294 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>-</u> | <u>220,017</u> | <u>220,017</u> |
| Total deferred inflows of resources | <u>\$ 161,969</u> | <u>\$ 968,511</u> | <u>\$ 1,130,480</u> |

\$160,816 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| Fiscal Year Ending June 30: | | | |
| 2023 | \$ (13,320) | \$ (205,558) | \$ (218,878) |
| 2024 | (23,754) | (163,868) | (187,622) |
| 2025 | (36,662) | (169,973) | (206,635) |
| 2026 | <u>(47,332)</u> | <u>(163,270)</u> | <u>(210,602)</u> |
| Total | <u>\$ (121,068)</u> | <u>\$ (702,669)</u> | <u>\$ (823,737)</u> |

Actuarial Assumptions - SERS

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

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

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

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

| | |
|---|---|
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 3.00% |
| Future salary increases, including inflation: | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.50% to 18.20% |
| COLA or ad hoc COLA: | |
| Current measurement date | 2.00% |
| Prior measurement date | 2.50% |
| Investment rate of return: | |
| Current measurement date | 7.00% net of system expenses |
| Prior measurement date | 7.50% net of system expenses |
| Discount rate: | |
| Current measurement date | 7.00% |
| Prior measurement date | 7.50% |
| Actuarial cost method | Entry age normal (level percent of payroll) |

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash | 2.00 % | (0.33) % |
| US Equity | 24.75 | 5.72 |
| Non-US Equity Developed | 13.50 | 6.55 |
| Non-US Equity Emerging | 6.75 | 8.54 |
| Fixed Income/Global Bonds | 19.00 | 1.14 |
| Private Equity | 11.00 | 10.03 |
| Real Estate/Real Assets | 16.00 | 5.41 |
| Multi-Asset Strategy | 4.00 | 3.47 |
| Private Debt/Private Credit | 3.00 | 5.28 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| Academy's proportionate share of the net pension liability | \$ 498,143 | \$ 299,409 | \$ 131,808 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

| | June 30, 2021 | June 30, 2020 |
|--------------------------------------|---|---|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.00%, net of investment expenses, including inflation | 7.45%, net of investment expenses, including inflation |
| Discount rate of return | 7.00% | 7.45% |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00% |

**BELLA ACADEMY OF EXCELLENCE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. 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 Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|-------------|
| Academy's proportionate share of the net pension liability | \$ 1,614,659 | \$ 862,243 | \$ 226,454 |

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS

The Academy has contracted with Imagine Schools, Inc. (see Note 11.B) to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting OPEB contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to the systems noted below.

Net OPEB Liability/Asset

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Academy's surcharge obligation was \$3,450.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$3,450 for fiscal year 2022 and is reported as intergovernmental payable.

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CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability/asset was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|----------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date | 0.007155300% | 0.007071710% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.007981700%</u> | <u>0.006743703%</u> | |
| Change in proportionate share | <u>0.000826400%</u> | <u>-0.000328007%</u> | |
| Proportionate share of the net OPEB liability | \$ 151,060 | \$ - | \$ 151,060 |
| Proportionate share of the net OPEB asset | \$ - | \$ (142,185) | \$ (142,185) |
| OPEB expense | \$ 2,246 | \$ (14,185) | \$ (11,939) |

**BELLA ACADEMY OF EXCELLENCE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2022, 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 | \$ 1,611 | \$ 5,065 | \$ 6,676 |
| Changes of assumptions | 23,699 | 9,083 | 32,782 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 32,191 | - | 32,191 |
| Contributions subsequent to the measurement date | 3,450 | - | 3,450 |
| Total deferred outflows of resources | \$ 60,951 | \$ 14,148 | \$ 75,099 |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 75,233 | \$ 26,052 | \$ 101,285 |
| Net difference between projected and actual earnings on OPEB plan investments | 3,284 | 39,413 | 42,697 |
| Changes of assumptions | 20,687 | 84,827 | 105,514 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 10,585 | 12,476 | 23,061 |
| Total deferred inflows of resources | \$ 109,789 | \$ 162,768 | \$ 272,557 |

\$3,450 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2023.

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: | | | |
| 2023 | \$ (13,438) | \$ (43,089) | \$ (56,527) |
| 2024 | (13,459) | (42,104) | (55,563) |
| 2025 | (13,682) | (40,809) | (54,491) |
| 2026 | (9,715) | (16,860) | (26,575) |
| 2027 | (2,699) | (5,859) | (8,558) |
| Thereafter | 705 | 101 | 806 |
| Total | \$ (52,288) | \$ (148,620) | \$ (200,908) |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021 are presented below:

| | |
|--|---|
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 3.00% |
| Future salary increases, including inflation: | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.50% to 18.20% |
| Investment rate of return: | |
| Current measurement date | 7.00% net of investment expense, including inflation |
| Prior measurement date | 7.50% net of investment expense, including inflation |
| Municipal bond index rate: | |
| Current measurement date | 1.92% |
| Prior measurement date | 2.45% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Current measurement date | 2.27% |
| Prior measurement date | 2.63% |
| Medical trend assumption: | |
| Current measurement date | |
| Medicare | 5.125 to 4.400% |
| Pre-Medicare | 6.750 to 4.400% |
| Prior measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 2020.

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 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash | 2.00 % | (0.33) % |
| US Equity | 24.75 | 5.72 |
| Non-US Equity Developed | 13.50 | 6.55 |
| Non-US Equity Emerging | 6.75 | 8.54 |
| Fixed Income/Global Bonds | 19.00 | 1.14 |
| Private Equity | 11.00 | 10.03 |
| Real Estate/Real Assets | 16.00 | 5.41 |
| Multi-Asset Strategy | 4.00 | 3.47 |
| Private Debt/Private Credit | 3.00 | 5.28 |
| Total | <u>100.00 %</u> | |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% 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 all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

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, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-------------|--------------------------|-------------|
| Academy's proportionate share of the net OPEB liability | \$ 187,182 | \$ 151,060 | \$ 122,204 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--|-------------|-----------------------|-------------|
| Academy's proportionate share of the net OPEB liability | \$ 116,304 | \$ 151,060 | \$ 197,484 |

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**BELLA ACADEMY OF EXCELLENCE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

| | June 30, 2021 | | June 30, 2020 | |
|--------------------------------------|---|----------|---|----------|
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.00%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discount rate of return | 7.00% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| | Initial | Ultimate | Initial | Ultimate |
| Medical | | | | |
| Pre-Medicare | 5.00% | 4.00% | 5.00% | 4.00% |
| Medicare | -16.18% | 4.00% | -6.69% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 6.50% | 4.00% | 6.50% | 4.00% |
| Medicare | 29.98% | 4.00% | 11.87% | 4.00% |

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

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

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--|--------------------------|-------------|
| | Academy's proportionate share of the net OPEB asset | \$ 119,983 | \$ 142,185 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--|--|-----------------------|-------------|
| | Academy's proportionate share of the net OPEB asset | \$ 159,981 | \$ 142,185 |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the Academy maintained the following coverage: general liability, automobile liability and excess/umbrella liability through Philadelphia Indemnity Insurance Co.; and workers compensation and employers' liability through MEMIC Indemnity Company.

| <u>Coverage</u> | <u>Limits of Coverage</u> |
|---|---------------------------|
| General liability: | |
| Each occurrence | \$ 1,000,000 |
| General aggregate | 3,000,000 |
| Medical expenses | 10,000 |
| Personal & advertising injury | 1,000,000 |
| Damages to rented premises, per occurrence | 100,000 |
| Products - aggregate | 3,000,000 |
| Automobile liability: | |
| Combined single limit - each accident | 1,000,000 |
| Excess/umbrella liability: | |
| Each occurrence | 10,000,000 |
| Aggregate | 10,000,000 |
| Retention | 10,000 |
| Workers' compensation and employers' liability: | |
| Each accident | 1,000,000 |
| Disease - each employee | 1,000,000 |
| Disease - policy limit | 1,000,000 |

Settled claims have not exceeded commercial coverage in the past three years. There has been no reduction in coverage from the prior year.

NOTE 11 - CONTRACTS

A. Sponsor Contract

The Academy entered into a sponsorship contract commencing on May 15, 2009 and ending on June 30, 2010 with St. Aloysius Orphanage (the "Sponsor") for its establishment. On June 28, 2010 the contract was renewed commencing on July 1, 2010 and ending on June 30, 2014. The contract was renewed on June 30, 2014, for a term of one year ending on June 30, 2015. On May 26, 2015 the contract was renewed for a term of one year and will automatically renew for one additional term through June 30, 2017. The contract was renewed for a term of three years commencing July 1, 2017 through June 30, 2020. On June 19, 2020 the contract was renewed for a term of six years commencing on July 1, 2020 and ending on June 30, 2026. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Provide reasonable technical assistance to the Academy in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the Academy);

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - CONTRACTS - (Continued)

- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the Academy experiences financial difficulties or losses before the end of the school year; and
- Abide by the requirements of its contract with the Ohio Department of Education, even should those requirements affect the Academy.

The Academy paid the Sponsor \$51,655 for services during fiscal year 2022, including \$45 in accounts payable at June 30, 2022. This payable consists of an intergovernmental receivable (amount due from ODE) to be transferred to the Sponsor, in accordance with the sponsorship contract.

B. Management Contract

The Academy entered into a management contract with Imagine Schools, Inc. for management consulting services. Imagine Schools, Inc. is required to provide the following services:

- Personnel & human resources administration
- Program of instruction
- Purchasing & contracts
- Budgeting, financial reporting and audit preparation
- Compliance issues
- Curriculum research and development
- Marketing and publicity
- Equipment and facilities
- Grant preparation and management

For the services listed above, the Academy is required to pay a fee to Imagine Schools, Inc. The fee is equal to approximately 72 percent of the total per pupil allowance received from the State of Ohio and 100 percent of State and/or Federal grant funds received by the Academy for the creation and operation of its school. Payments to Imagine Schools, Inc. amounted to \$3,147,473 during fiscal year 2022.

At June 30, 2022, the Academy reported accounts payable to Imagine Schools, Inc. in the amount of \$283,186. This payable consists of intergovernmental receivables (grants and amounts due from ODE) to be transferred to Imagine Schools, Inc. to cover expenses incurred by Imagine Schools, Inc. on the Academy's behalf, in accordance with the operating contract.

At June 30, 2022, the Academy had accounts receivable of \$3,450 from Imagine Schools, Inc. to cover the intergovernmental payable related to the SERS surcharge liability, in accordance with the operating contract.

C. Service Contract

The Academy entered into a service contract for a period of twelve months, commencing on July 1, 2021 and ending on June 30, 2022, with Charter School Specialists, LLC (CSS), to provide fiscal and Comprehensive Continuous Improvement Planning consulting services. The Academy paid CSS \$31,034 during fiscal year 2022 for these services.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2022, Imagine Schools, Inc. incurred the following expenses (reported below on cash-basis) on behalf of the Academy:

| <u>Expenses (Object Code)</u> | <u>Regular Instruction (1100 Function) Codes)</u> | <u>Special Instruction (1200 Function) Codes)</u> | <u>Other Instruction (1400 & 1900 Function) Codes)</u> | <u>Support Services (2000 Function) Codes)</u> | <u>Non- Instructional* (3000 - 7000 Function) Codes)</u> | <u>Total</u> |
|--|---|---|--|--|--|---------------------|
| <i>Direct expenses:</i> | | | | | | |
| Salaries and wages (100) | \$ 624,042 | \$ 152,525 | \$ - | \$ 328,287 | \$ 53,914 | \$ 1,158,768 |
| Employees' benefits (200) | 241,962 | 52,578 | - | 101,963 | 17,474 | 413,977 |
| Professional & technical services (410) | 34,383 | 20,682 | 54,452 | 572,825 | - | 682,342 |
| Property services (420) | - | - | - | 82,714 | - | 82,714 |
| Utilities (450) | - | - | - | 18,080 | - | 18,080 |
| Contracted craft or trade services (460) | - | - | - | 679 | 141,410 | 142,089 |
| Supplies (500) | 228,956 | 5,226 | - | 16,670 | - | 250,852 |
| Other direct costs (all other object codes) | 3,511 | - | - | 61,551 | - | 65,062 |
| Total direct expenses | <u>1,132,854</u> | <u>231,011</u> | <u>54,452</u> | <u>1,182,769</u> | <u>212,798</u> | <u>2,813,884</u> |
| <i>Indirect expenses:</i> | | | | | | |
| Overhead | - | - | 148,641 | 184,851 | 97 | 333,589 |
| Total direct and indirect expenses | <u>\$ 1,132,854</u> | <u>\$ 231,011</u> | <u>\$ 203,093</u> | <u>\$ 1,367,620</u> | <u>\$ 212,895</u> | <u>\$ 3,147,473</u> |

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

NOTE 13 - CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2022, if applicable, cannot be determined at this time.

B. Ohio Department of Education Enrollment Review

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 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.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 13 - CONTINGENCIES - (Continued)

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

As a result of the fiscal year 2022 reviews to-date, the Academy is due \$1,488 from ODE. This amount has been recorded as an intergovernmental receivable at June 30, 2022.

In addition, the Academy's contracts with the Sponsor and Imagine Schools, Inc. require payment based on revenues received from the State. As a result of the fiscal year 2022 reviews, the Academy has recorded accounts payable in the amount of \$1,071 and \$45 to Imagine Schools, Inc. and the Sponsor, respectively, at June 30, 2022.

C. Litigation

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

NOTE 14 - FEDERAL TAX STATUS

The Academy was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on November 3, 2010. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

NOTE 15 - MANAGEMENT PLAN

The Academy had a decrease of \$213,108 in net position during fiscal year 2022 and deficit net position of \$2,067,805 at June 30, 2022. The deficit net position is primarily due to the net pension liability of \$1,161,652, net OPEB liability of \$151,060, deferred outflows of resources and deferred inflows of resources related to the net pension liability and net OPEB liability/asset of \$542,658 and \$1,403,037, respectively, and the lease payable exceeding the right to use intangible capital assets-leased building by \$32,337 at June 30, 2022. The net pension liability, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are required to be reported in accordance with GASB Statements No. 68 and 71, as described in Note 8 and GASB Statement No. 75, as described in Note 9. Management intends to continue to increase Academy enrollment and improve operating efficiencies.

NOTE 16 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2022, the Academy received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|
| Academy's proportion of the net pension liability | 0.00811470% | 0.00748070% | 0.00689740% | 0.00738270% |
| Academy's proportionate share of the net pension liability | \$ 299,409 | \$ 494,789 | \$ 412,684 | \$ 422,821 |
| Academy's covered payroll | \$ 311,514 | \$ 262,257 | \$ 236,622 | \$ 242,770 |
| Academy's proportionate share of the net pension liability as a percentage of its covered payroll | 96.11% | 188.67% | 174.41% | 174.17% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.86% | 68.55% | 70.85% | 71.36% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|-------------|
| 0.00721200% | 0.00788180% | 0.00874390% | 0.01000000% | 0.01000000% |
| \$ 430,901 | \$ 576,875 | \$ 498,935 | \$ 506,094 | \$ 594,668 |
| \$ 236,621 | \$ 244,779 | \$ 263,232 | \$ 290,584 | \$ 276,171 |
| 182.11% | 235.67% | 189.54% | 174.16% | 215.33% |
| 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------|--------------|--------------|--------------|
| Academy's proportion of the net pension liability | 0.00674370% | 0.00707171% | 0.00810958% | 0.00816451% |
| Academy's proportionate share of the net pension liability | \$ 862,243 | \$ 1,711,102 | \$ 1,793,385 | \$ 1,795,192 |
| Academy's covered payroll | \$ 809,343 | \$ 876,529 | \$ 963,207 | \$ 861,671 |
| Academy's proportionate share of the net pension liability as a percentage of its covered payroll | 106.54% | 195.21% | 186.19% | 208.34% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.78% | 75.48% | 77.40% | 77.31% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|--------------|
| 0.00869890% | 0.00878866% | 0.00837465% | 0.00943074% | 0.00943074% |
| \$ 2,066,442 | \$ 2,941,829 | \$ 2,314,508 | \$ 2,293,882 | \$ 2,732,458 |
| \$ 956,336 | \$ 924,736 | \$ 873,664 | \$ 963,562 | \$ 988,200 |
| 216.08% | 318.13% | 264.92% | 238.06% | 276.51% |
| 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 49,859 | \$ 43,612 | \$ 36,716 | \$ 31,944 |
| Contributions in relation to the contractually required contribution | <u>(49,859)</u> | <u>(43,612)</u> | <u>(36,716)</u> | <u>(31,944)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Academy's covered payroll | \$ 356,136 | \$ 311,514 | \$ 262,257 | \$ 236,622 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 13.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 32,774 | \$ 33,127 | \$ 34,269 | \$ 34,694 | \$ 40,275 | \$ 38,222 |
| <u>(32,774)</u> | <u>(33,127)</u> | <u>(34,269)</u> | <u>(34,694)</u> | <u>(40,275)</u> | <u>(38,222)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 242,770 | \$ 236,621 | \$ 244,779 | \$ 263,232 | \$ 290,584 | \$ 276,171 |
| 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 110,957 | \$ 113,308 | \$ 122,714 | \$ 134,849 |
| Contributions in relation to the contractually required contribution | <u>(110,957)</u> | <u>(113,308)</u> | <u>(122,714)</u> | <u>(134,849)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Academy's covered payroll | \$ 792,550 | \$ 809,343 | \$ 876,529 | \$ 963,207 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 120,634 | \$ 133,887 | \$ 129,463 | \$ 122,313 | \$ 125,263 | \$ 128,466 |
| <u>(120,634)</u> | <u>(133,887)</u> | <u>(129,463)</u> | <u>(122,313)</u> | <u>(125,263)</u> | <u>(128,466)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 861,671 | \$ 956,336 | \$ 924,736 | \$ 873,664 | \$ 963,562 | \$ 988,200 |
| 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|-------------|-------------|
| Academy's proportion of the net OPEB liability | 0.00798170% | 0.00715530% | 0.00642430% | 0.00697860% |
| Academy's proportionate share of the net OPEB liability | \$ 151,060 | \$ 155,508 | \$ 161,558 | \$ 193,605 |
| Academy's covered payroll | \$ 311,514 | \$ 262,257 | \$ 236,622 | \$ 242,770 |
| Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll | 48.49% | 59.30% | 68.28% | 79.75% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 24.08% | 18.17% | 15.57% | 13.57% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> |
|-------------|-------------|
| 0.00668290% | 0.00735546% |
| \$ 179,351 | \$ 209,658 |
| \$ 236,621 | \$ 244,779 |
| 75.80% | 85.65% |
| 12.46% | 11.49% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|--------------|--------------|--------------|
| Academy's proportion of the net OPEB liability/asset | 0.00674370% | 0.00707017% | 0.00810958% | 0.00816451% |
| Academy's proportionate share of the net OPEB liability/(asset) | \$ (142,185) | \$ (124,285) | \$ (134,314) | \$ (131,195) |
| Academy's covered payroll | \$ 809,343 | \$ 876,529 | \$ 963,207 | \$ 861,671 |
| Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 17.57% | 14.18% | 13.94% | 15.23% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 174.73% | 182.10% | 174.70% | 176.00% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> |
|-------------|-------------|
| 0.00869890% | 0.00878866% |
| \$ 339,399 | \$ 470,020 |
| \$ 956,336 | \$ 924,736 |
| 35.49% | 50.83% |
| 47.10% | 37.33% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2022 | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 3,450 | \$ 3,347 | \$ 1,724 | \$ 2,085 |
| Contributions in relation to the contractually required contribution | (3,450) | (3,347) | (1,724) | (2,085) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Academy's covered payroll | \$ 356,136 | \$ 311,514 | \$ 262,257 | \$ 236,622 |
| Contributions as a percentage of covered payroll | 0.97% | 1.07% | 0.66% | 0.88% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------|--------------|----------------|----------------|--------------|--------------|
| \$ 2,714 | \$ 702 | \$ 1,011 | \$ 6,091 | \$ 439 | \$ 442 |
| <u>(2,714)</u> | <u>(702)</u> | <u>(1,011)</u> | <u>(6,091)</u> | <u>(439)</u> | <u>(442)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 242,770 | \$ 236,621 | \$ 244,779 | \$ 263,232 | \$ 290,584 | \$ 276,171 |
| 1.12% | 0.30% | 0.41% | 2.31% | 0.15% | 0.16% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2022 | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Academy's covered payroll | \$ 792,550 | \$ 809,343 | \$ 876,529 | \$ 963,207 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ - | \$ - | \$ - | \$ - | \$ 10,335 | \$ 9,882 |
| - | - | - | - | (10,335) | (9,882) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 861,671 | \$ 956,336 | \$ 924,736 | \$ 873,664 | \$ 963,562 | \$ 988,200 |
| 0.00% | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% |

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.

(Continued)

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

(Continued)

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal AL Number | Total Federal Expenditures |
|---|----------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| <i>Passed Through Ohio Department of Department</i> | | |
| <i>Child Nutrition Cluster:</i> | | |
| School Breakfast Program | 10.553 | \$43,942 |
| National School Lunch Program | 10.555 | 100,130 |
| Special Milk Program for Children - COVID-19 | 10.556 | 14,100 |
| Fresh Fruit and Vegetable Program | 10.582 | 9,442 |
| Total Child Nutrition Cluster | | <u>167,614</u> |
| Pandemic Electronic Benefit Transfer Administrative Costs Grants - COVID-19 | 10.649 | 499 |
| Total U.S. Department of Agriculture | | <u>168,113</u> |
| FEDERAL COMMUNICATIONS COMMUNICATION | | |
| <i>Direct Award</i> | | |
| Emergency Connectivity Fund | 32.009 | 52,100 |
| Total Federal Communications Commission | | <u>52,100</u> |
| U.S. DEPARTMENT OF EDUCATION | | |
| <i>Passed Through Ohio Department of Education</i> | | |
| Coronavirus Relief Fund - Broadband - COVID-19 | 21.019 | 3,512 |
| Title I Grants to Local Educational Agencies | 84.010 | 238,444 |
| <i>Special Education Cluster (IDEA):</i> | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 42,068 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 238 |
| Total Special Education Cluster (IDEA) | | <u>42,306</u> |
| Supporting Effective Instruction to States | 84.367 | 19,403 |
| Student Support and Academic Enrichment Program | 84.424 | 9,642 |
| Elementary and Secondary School Emergency Relief Fund - ESSER II - COVID-19 | 84.425D | 836,780 |
| Elementary and Secondary School Emergency Relief Fund - American Rescue Plan - COVID-19 | 84.425U | 279,904 |
| Total Education Stabilization Fund | | <u>1,116,684</u> |
| Total U.S. Department of Education | | <u>1,429,991</u> |
| Total Expenditures of Federal Awards | | <u>\$1,650,204</u> |

The accompanying notes are an integral part of this schedule.

**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Bella Academy of Excellence (the Academy) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Academy has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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



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

Bella Academy of Excellence
Cuyahoga County
19114 Bella Drive
Cleveland, Ohio 44119

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Bella Academy of Excellence, Cuyahoga County, (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 24, 2023, wherein we noted the financial impact of COVID-19 and the related emergency measures which may impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 24, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Bella Academy of Excellence
Cuyahoga County
19114 Bella Drive
Cleveland, Ohio 44119

To the Board of Directors:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Bella Academy of Excellence's, Cuyahoga County, (The Academy) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2022. The Academy's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Academy's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Keith Faber
Auditor of State
Columbus, Ohio

March 24, 2023

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**BELLA ACADEMY OF EXCELLENCE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Program's Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Program: | AL #84.425 – Education Stabilization Fund |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



BELLA ACADEMY OF EXCELLENCE

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 3/30/2023

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

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