OHIO AUDITOR OF STATE
KEITH FABER

SMART ACADEMY
CUYAHOGA COUNTY
JUNE 30, 2022

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OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the SMART Academy, 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 SMART Academy, Cuyahoga County, Ohio as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 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

May 5, 2023

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Management's Discussion and Analysis

The discussion and analysis of SMART Academy (the Academy) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the financial performance of Academy as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of the Academy.

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

Financial Highlights

Key financial highlights for 2022 include the following:

- In total, net position decreased $323,894 from 2021.
- Total assets decreased $161,480 and total liabilities decreased $40,832 during 2022.
- The Academy implemented GASB 87 during fiscal year 2022, which caused the Academy to recognize the intangible right-to-use capital asset that it leases along with an offsetting lease payable as of July 1, 2021.

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2022, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the Academy also adopted 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/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Using this Financial Report

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

Statement of Net Position

The Statement of Net Position looks at how well the Academy has performed financially through June 30, 2022. This statement includes all the assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting considers all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended. The following schedule provides a summary Statement of Net Position for fiscal year ended June 30, 2022 and 2021 for the Academy.

(Table 1)
Statement of Net Position

	2022	Restated 2021	Change
Assets			
Current Assets	$ 160,160	$ 289,649	$ (129,489)
Non-Current Assets	92,637	49,198	43,439
Capital Assets, Net	75,431	150,861	(75,430)
Total Assets	328,228	489,708	(161,480)
Deferred Outflow of Resources	926,135	557,257	368,878
Liabilities			
Current Liabilities	348,262	132,060	216,202
Long-Term Liabilities	715,784	972,818	(257,034)
Total Liabilities	1,064,046	1,104,878	(40,832)
Deferred Inflow of Resources	645,231	73,107	572,124
Net Position			
Net Investment in Capital Assets	(2,716)	-	(2,716)
Unrestricted	(452,198)	(131,020)	(321,178)
Total Net Position	$ (454,914)	$ (131,020)	$ (323,894)

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

Cash decreased from the prior fiscal year due timing of grant drawdowns and operating expenses exceeding funding. Account payable increased due to limited cash to pay outstanding invoices at fiscal year end. Capital assets also decreased during the fiscal year due to amortization. Loans and leases payables decreased due to scheduled payments.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating activities for the fiscal year ended June 30, 2022. The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for the Academy for fiscal year ended June 30, 2022 compared to 2021.

(Table 2)
Change in Net Position

	2022	2021	Change
Operating Revenue	$ 1,026,768	$ 1,148,416	$(121,648)
Non-Operating Revenue	462,353	444,336	18,017
Total Revenue	1,489,121	1,592,752	(103,631)
Operating Expenses	1,798,316	1,376,238	422,078
Non-Operating Expenses	14,699	10,537	4,162
Total Expenses	1,813,015	1,386,775	491,473
Changes in Net Position	(323,894)	205,977	185,970
Net Position: Beginning of the Year	(131,020)	(336,997)	20,007
Net Position: End of Year	$ (454,914)	$ (131,020)	$205,977

The Academy's revenues in 2022 were based on the Academy's full-time equivalent (FTE) and the Academy's federal grant funding awards. The decrease in Academy's operating revenue was primarily caused by the decrease in enrollment.

The increase in operating expenses is impacted by the fluctuations associated to changes in the Academy's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

Capital Assets

At the end of fiscal year 2022, capital assets decreased due to amortization on the leased building. For further information regarding the Academy's capital assets, refer to Note IV of the basic financial statements.

Debt

As of the fiscal year-end, the Academy's lease and loans payable decreased in comparison with the prior fiscal year due to payments made during the fiscal year. See Note VI for more information.

Current Financial Issues

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

For the 2022 school year a budget was adopted by the Board of Directors providing the Academy sufficient financial resources to operate effectively. Enrollment increased to 123 students for fiscal year 2021 and then decreased to 108 students for fiscal year 2022.

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

During March 2020 a mandatory building closure was ordered by the state Governor due to the Coronavirus pandemic, the Academy successfully transitioned to an online virtual educational model and continued to provide a superior education for their students and families. Due to uncertainty regarding ongoing Coronavirus outbreaks, the Academy has adopted approved protocols to minimize exposure risks to students, staff and families. For school year 2022 implementation of an educational model combining virtual online learning and in person on-site classes was utilized. Academy intends to continue providing a high-quality educational experience for students and families while maintaining positive community relations in the Academy's surrounding neighborhood throughout the pandemic.

Contacting the Academy's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for the Academy and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Joseph Crawfis, at SMART Academy, 4351 E. 131st Street, Garfield Heights, Ohio 44105.

SMART Academy
Cuyahoga County, Ohio
Statement of Net Position
June 30, 2022

Assets		
Current Assets		
Cash	$	6,178
Accounts Receivable		3,006
Due from Other Governments		148,701
Prepaid Items		2,275
Total Current Assets		160,160
Noncurrent Assets		
Security Deposit		6,192
Capital Assets, Net		75,431
Net OPEB Asset		86,445
Total Noncurrent Assets		168,068
Total Assets		328,228
Deferred Outflows of Resources		
Pension		831,784
OPEB		94,351
Total Deferred Outflows of Resources		926,135
Liabilities		
Current Liabilities		
Accounts Payable		162,919
Interest Payable		349
Accrued Wages		30,463
Accrued Benefits		9,666
Due to Other Governments		17,067
Loans Payable		49,651
Leases Payable		78,147
Total Current Liabilities		348,262
Long Term Liabilities		
Loans Payable		21,563
Net Pension Liability		635,241
Net OPEB Liability		58,980
Total Long Term Liabilities		715,784
Total Liabilities		1,064,046
Deferred Inflows of Resources		
Pension		515,137
OPEB		130,094
Total Deferred Inflows of Resources		645,231
Net Position		
Net Investment in Capital Assets		(2,716)
Unrestricted Net Position		(452,198)
Total Net Position	$	(454,914)

No assurance is provided on these financial statements

See accompanying notes to the basic financial statements.

SMART Academy
Cuyahoga County, Ohio
Statement of Revenues, Expenses, And Changes in Net Position
For the Fiscal Year Ended June 30, 2022

Operating Revenues		
Foundation & Facilities Revenue	$	1,013,195
Casino Tax Distribution		7,210
Other Operating Revenue		6,363
Total Operating Revenues		1,026,768
Operating Expenses		
Salaries		818,649
Fringe Benefits		266,249
Pension & OPEB Expense		103,285
Purchased Services		413,747
Supplies and Materials		92,267
Amortization		75,430
Other Operating Expenses		28,689
Total Operating Expenses		1,798,316
Operating Income (Loss)		(771,548)
Non-Operating Revenues/Expenses		
Federal and State Grants		462,338
Interest Expense		(14,699)
Interest Income		15
Net Non-Operating Revenues (Expenses)		447,654
Change in Net Position		(323,894)
Net Position Beginning of Year		(131,020)
Net Position End of Year	$	(454,914)

See accompanying notes to the basic financial statements.

No assurance is provided on these financial statements

SMART Academy
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Increase (Decrease) In Cash And Cash Equivalents		
Cash Flows From Operating Activities		
Cash Received From State Aid	$	1,020,405
Cash Received Other Operating Sources		2,906
Cash Payments for Wages and Fringe Benefits		(1,095,909)
Cash Payments for Goods and Services		(358,276)
Other Cash Payments		(28,689)
Net Cash Used For Operating Activities		(459,563)
Cash Flows From Capital Financing Activities		
Cash Payments for Principal		(72,714)
Cash Payments for Interest		(9,186)
Net Cash Used For Capital Financing Activities		(81,900)
Cash Flows From Noncapital Financing Activities		
Cash Received From Grant Programs		371,707
Cash Payments for Principal		(51,542)
Cash Payments for Interest		(5,742)
Net Cash Received From Noncapital Financing Activities		314,423
Cash Flows From Investing Activities		
Cash Received From Interest		15
Net Decrease in Cash		(227,025)
Cash at Beginning of Year		233,203
Cash at End of Year	$	6,178
Reconciliation Of Operating Income (Loss) To Net Cash Used For Operating Activities		
Operating Income (Loss)	$	(771,548)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Used For Operating Activities:		
Amortization		75,430
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:		
Accounts Receivable		(1,182)
Intergovernmental Receivable		(3,448)
Prepaids		(2,275)
Deferred Outflows of Resources		(368,878)
Deferred Inflows of Resources		572,124
Net OPEB Asset		(43,439)
Net Pension/OPEB Liability		(56,522)
Accounts Payable		147,738
Accrued Wages and Benefits Payable		(24,410)
Due to Other Governments		16,847
Total Adjustments		311,985
Net Cash Used For Operating Activities	$	(459,563)

No assurance is provided on these financial statements

See accompanying notes to the basic financial statements.

I. Description of the Academy and Reporting Entity

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

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

The Academy operates under a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls the instructional facilities for Academy, which provided services to 108 students during the fiscal year.

II. Summary of Significant Accounting Policies

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

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

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

3. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2022, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, certain provisions of GASB Statement No. 93, Replacement of Interbank Offered Rates and certain provisions of 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 GASB Statement No. 99.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The changes were incorporated in the Academy's 2022 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the Academy.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and 2) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Academy.

GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and will improve consistency of authoritative literature. The implementation of certain provisions of GASB Statement No. 99 did not have an effect on the financial statements of the Academy.

4. Cash and Cash Equivalents

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

5. Budgetary Process

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

6. Due from Other Governments

Monies due the Academy for the fiscal year ended June 30, 2022 are recorded as Due from Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

7. Intergovernmental Revenues

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

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

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

8. Private Grants and Contributions

The Academy receives grants and contributions from private sources to the support Academy's' programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received.

9. Compensated Absences

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

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

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

During the school year, the Academy accrued compensated absences earned by employees returning for the next fiscal year. As of June 30, 2022, compensated absence balances total $30,463 and corresponding employer state retirement system contributions total $9,666 respectively. These balances are included in Accrued Wages and Accrued Benefits.

10. Pensions and Other Postemployment Benefits (OPEB)

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

11. Accrued Liabilities and Long-term Obligations

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

12. Use of Estimates

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

13. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of assets by the Academy that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB as explained in Notes VIII and IX.

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

14. Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, less outstanding debt related to capital assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

15. Operating Revenues and Expenses

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

16. Capital Assets and Depreciation

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. Donated assets are recorded at their acquisition values at the date received. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position.

The Academy's policy for asset capitalization threshold is $5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

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

III. Deposits

At fiscal year end June 30, 2022, the bank balance of the Academy's deposits totaled $7,447. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2022, none of the bank balance was exposed to custodial risk.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute.

IV. Capital Assets

For the year ended June 30, 2022, the Academy had the following in capital assets.

	Restated Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
Capital Assets Being Amortized				
Leased Assets - Buildings (intangible)	$ 150,861	$ -	$ -	$ 150,861
Less Accumulated Amortization				
Leased Assets - Buildings (intangible)	-	(75,430)	-	(75,430)
Capital Assets, Net	$ 150,861	$ (75,430)	$ -	$ 75,431

V. Purchased Services

Purchased Services during fiscal year 2022 include the following:

Instruction	$34,934
Pupil Support Services	76,273
Staff Development & Support	772
Administrative	173,076
Occupancy Costs	37,822
Transportation	122
Food Services	90,748
Total Purchased Services	$413,747

VI. Long Term Obligations

During the fiscal year, the following activity occurred in long-term liabilities.

	Restated Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Direct Borrowing:					
Loans Payable - IFF	$ 118,039		$ (46,825)	$ 71,214	$ 49,651
Loans Payable - BW	4,717		(4,717)	-	-
Total Loans Payable	122,756	-	(51,542)	71,214	49,651
Building Lease Payable	$ 150,861	$ -	$ (72,714)	$ 78,147	$ 78,147
Total Long-Term Obligations	$ 273,617	$ -	$ (124,256)	$ 149,361	$ 127,798

A summary of the principal and interest amounts for the remaining long-term obligations is as follows:

	Lease Payable		Loan Payable		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 78,147	$ 3,753	49,651	2,861	$ 127,798	$ 6,614
2024	-	-	21,563	317	21,563	317
Total	$ 78,147	$ 3,753	$ 71,214	$ 3,178	$ 149,361	$ 6,931

On March 15, 2018, the Academy secured a $75,000 (seventy-five thousand dollar) loan with Bridget Williams, a private citizen and former member of the Board of Directors, for start-up operations. The loan is for a term of three years with interest at 9.00% per annum. Per the loan agreement, interest and principal are paid in equal monthly installments starting October 1, 2018, with loan maturity occurring on September 1, 2021. Principal payments during fiscal year 2022 totaled $4,717. As of June 30, 2022, the loan was fully retired.

On July 23, 2018, the Academy secured a $199,500 loan with IFF, an Illinois not for profit corporation, for start-up operations. The loan is for a term of five years with interest at 5.875% per annum. Per the loan agreement, interest on advances was paid through December 1, 2018. Monthly principal and interest payments in equal monthly installments began December 1, 2018, with loan maturity occurring on November 1, 2023. During August 2019 the Academy obtained an amendment to the loan agreement. This first amendment provided for the deferral of monthly payments between May 1, 2019 and October 1, 2019. The principal balance was adjusted to capitalize accrued interest during the deferral period totaling $5,218. Monthly payments have been increased to keep the loan expiration date at November 1, 2023. Principal payments during fiscal year 2022 totaled $46,825 and interest expense totaled $5,687. As of June 30, 2022, the outstanding principal balance is $71,214. Interest payable totaling $349 has been recorded as a current liability as of June 30, 2022.

On July 1, 2018, the Academy entered into a lease with Bishop of the Catholic Diocese of Cleveland as trustee for Holy Spirit Parish for 30,315 square feet of space located at 4131 East 131st St., Garfield Heights, Ohio 44105. The term of the lease is for a period of five years. Base rent for July 1, 2021 through June 30, 2023 will be $6,825 per month. The incremental borrowing rate on the lease is 8.75%.

Due to the implementation of GASB Statement 87, this lease has met the criteria of a lease thus requiring it to be recorded by the Academy. The future lease payments were discounted based on the interest rate implicit in the lease or using the Academy's incremental borrowing rate. This discount is being amortized over the life of the lease.

VII. Risk Management

1. Property and Liability Insurance

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2022, the Academy contracted with Maxum Indemnity for property and liability insurance and Indian Harbor Insurance Company for educator liability and school leaders' errors and omissions insurance.

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

2. Workers' Compensation

The Academy makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. There have been no claims filed by the Academy employees with the Ohio Workers' Compensation System between July 1, 2021 and June 30, 2022.

3. Employee Medical, Dental and Vision Benefits

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

VIII. Defined Benefit Pension Plans

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

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. The Retirement Board approved a 0.5% COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

The Academy's contractually required contribution to SERS was $21,278 for fiscal year 2022.

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

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to

STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying servicer credit and age 60, or 30 years or service credit at any age.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2022 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $95,921 for fiscal year 2022.

4. Pension Liabilities, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00300740%	0.00410043%	
Prior Measurement Date	0.00183550%	0.00244679%	
Change in Proportionate Share	0.00117190%	0.00165364%	
Proportionate Share of the Net Pension Liability	$ 110,964	$ 524,277	$ 635,241
Pension Expense	$ 53,443	$ 161,019	$ 214,462

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 11	$ 16,197	$ 16,208
Changes of Assumptions	2,337	145,444	147,781
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	53,943	496,653	550,596
Academy Contributions Subsequent to the Measurement Date	21,278	95,921	117,199
Total Deferred Outflows of Resources	$ 77,569	$ 754,215	$ 831,784
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 2,878	$ 3,287	$ 6,165
Net Difference between Projected and Actual Earnings on Pension Plan Investments	57,148	451,824	508,972
Total Deferred Inflows of Resources	$ 60,026	$ 455,111	$ 515,137

$117,199 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	$ 23,377	$ 92,592	$ 115,969
2024	4,015	104,284	108,299
2025	(13,587)	23,828	10,241
2026	(17,540)	(17,521)	(35,061)
Total	$ (3,735)	$ 203,183	$ 199,448

5. Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal

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 disable 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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(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 Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.00 percent. 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 earning were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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 Academy's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Academy's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	$ 184,617	$ 110,964	$ 48,849

Changes since measurement date Effective July 1, 2022 SERS made the following changes: Retiree Health Care – changes to monthly premium deductions associated with retiree health insurance and income related Medicare Parts B & D reimbursements. Cost-of-living adjustments – Changes to the cost-of-living adjustments made to retirees' pensions. Normal Retirement Age – changes to the "Normal Retirement Age' for members of Tiers II and IIA.

6. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2021, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment 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 presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	$ 981,774	$ 524,277	$ 137,692

Changes since measurement date In March 2022, the board eliminated the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The final change to the phased-in age and service requirements will be made Aug. 1, 2023, when 35 years of service will be required for an unreduced retirement.

IX. Defined Benefit OPEB Plans

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Academy's surcharge obligation was $2,843.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00311600%	0.00410000%	
Prior Measurement Date	0.00171600%	0.00244700%	
Change in Proportionate Share	0.00140000%	0.00165300%	
Proportionate Share of the Net OPEB Liability (Asset)	$ 58,980	$ (86,445)	
OPEB Expense	$ 12,809	$ (3,944)	$ 8,865

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	$ 628	$ 3,078	$ 3,706
Changes of Assumptions	9,253	5,521	14,774
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	64,074	8,954	73,028
Academy Contributions Subsequent to the Measurement Date	2,843	-	2,843
Total Deferred Outflows of Resources	$ 76,798	$ 17,553	$ 94,351
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 29,370	$ 15,837	$ 45,207
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,282	23,960	25,242
Changes of Assumptions	8,076	51,569	59,645
Total Deferred Inflows of Resources	$ 38,728	$ 91,366	$ 130,094

$2,843 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 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	$ 7,401	$ (21,510)	$ (14,109)
2024	7,391	(20,909)	(13,518)
2025	7,464	(20,540)	(13,076)
2026	5,733	(7,913)	(2,180)
2027	4,685	(3,156)	1,529
Thereafter	2,553	215	2,768
Total	$ 35,227	$ (73,813)	$ (38,586)

4. Actuarial Assumptions – SERS

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

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

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

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

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.27 percent
Prior Measurement Date	2.63 percent
Medical Trend Assumption	
Measurement Date	
Medicare	5.125 to 4.400 percent
Pre-Medicare	6.750 to 4.400 percent
Prior Measurement Date	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 o 4.75 percent

Base Mortality: Healthy Retirees - PUB-2010 General Employee Amount Weighted 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. Disabled Retirees - 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. Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

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 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer 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	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination for 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 of SERS, what SERS' 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 SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$ 73,075	$ 58,980	$ 47,707

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$ 45,404	$ 58,980	$ 77,096

5. Actuarial Assumptions – STRS

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

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments	0 percent	
Inflation	2.50 percent	
Discount Rate of Return	7.00 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	4.93 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.33 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure 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 Rate 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 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) 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 Liability (Asset)	$ (72,946)	$ (86,445)	$ (97,721)

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability (Asset)	$ (97,264)	$ (86,445)	$ (73,066)

X. Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy on June 30, 2022.

XI. Sponsorship Agreement

The Academy entered into an agreement Buckeye Community Hope Foundation, to provide sponsorship and oversight services as required by law. The agreement effective July 1, 2018 was superseded with a new five-year agreement commencing July 1, 2019 and continues until June 30, 2024. Sponsorship fees were calculated as 3.00% of the Fiscal Year 2022 Foundation payments received by the Academy, from the State of Ohio. The total amount due from the Academy for fiscal year 2022 was $33,161 all of which was paid prior to June 30, 2022.

XII. 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 recovery measures will impact subsequent periods of the Academy. The impact on the Academy's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

SMART Academy
Cuyahoga County, Ohio

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

	2022	2021	2020
School Employees Retirement System (SERS)			
The Academy's Proportion of the Net Pension Liability	0.00300740%	0.00183550%	0.00113020%
The Academy's Proportionate Share of the Net Pension Liability	$ 110,964	$ 121,404	$ 67,622
The Academy's Covered Payroll	$ 103,807	$ 64,350	$ 38,770
The Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.89%	188.66%	174.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%
State Teachers Retirement System (STRS)			
The Academy's Proportion of the Net Pension Liability	0.00410043%	0.00244679%	0.00197078%
The Academy's Proportionate Share of the Net Pension Liability	$ 524,277	$ 592,036	$ 435,826
The Academy's Covered Payroll	$ 505,964	$ 295,286	$ 231,379
The Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.62%	200.50%	188.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(1) Information prior to 2020 is not available.

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

See accompanying notes to the required supplementary information.

SMART Academy
Cuyahoga County, Ohio

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

	2022	2021	2020	2019
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 21,278	$ 14,533	$ 9,009	$ 5,234
Contributions in Relation to the Contractually Required Contribution	(21,278)	(14,533)	(9,009)	(5,234)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
The Academy's Covered Payroll	$ 151,986	$ 103,807	$ 64,350	$ 38,770
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 95,921	$ 70,835	$ 41,340	$ 32,393
Contributions in Relation to the Contractually Required Contribution	(95,921)	(70,835)	(41,340)	(32,393)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
The Academy's Covered Payroll	$ 685,150	$ 505,964	$ 295,286	$ 231,379
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) Information prior to fiscal year 2019 is unavailable

See accompanying notes to the required supplementary information.

SMART Academy
Cuyahoga County, Ohio

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

	2022	2021	2020
School Employees Retirement System (SERS)			
The Academy's Proportion of the Net OPEB Liability	0.00311600%	0.00171600%	0.00116200%
The Academy's Proportionate Share of the Net OPEB Liability	$ 58,980	$ 37,303	$ 29,227
The Academy's Covered Payroll	$ 103,807	$ 64,350	$ 38,770
The Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	56.82%	57.97%	75.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%
State Teachers Retirement System (STRS)			
Academy's Proportion of the Net OPEB Liability/(Asset)	0.00410000%	0.00244700%	0.00197100%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	$ (86,445)	$ (43,006)	$ (32,644)
Academy's Covered Payroll	$ 505,964	$ 295,286	$ 231,379
Academy's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-17.09%	-14.56%	-14.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.73%	182.10%	174.70%

(1) Information prior to 2020 is not available.

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

See accompanying notes to the required supplementary information.

No assurance is provided on these financial statements

SMART Academy
Cuyahoga County, Ohio

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

	2022	2021	2020	2019
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 2,843	$ 2,073	$ 212	$ 922
Contributions in Relation to the Contractually Required Contribution	(2,843)	(2,073)	(212)	(922)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
The Academy's Covered Payroll	$ 151,986	$ 103,807	$ 64,350	$ 38,770
OPEB Contributions as a Percentage of Covered Payroll (1)	1.87%	2.00%	0.33%	2.38%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
The Academy's Covered Payroll	$ 685,150	$ 505,964	$ 295,286	$ 231,379
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes of benefit terms- SERS
There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2022.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018-2020.

Changes in assumptions- SERS
There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. 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 and (g) mortality among disable member 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 (h) change in discount rate from 7.75% to 7.5%. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.00% to 2.40%, (b) assumed real wage growth was reduced from 0.% to 0.85%, (c) Cost-of-Living-Adjustments was reduced from 2.50% to 2.00% (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality amount active members, service retirees and beneficiaries, and disabled members were updated (i) change in discount rate from 7.50% to 7.00%.

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

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

Note 2 - Net OPEB Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2018-2022.

Changes in Assumptions – SERS

Amounts reported for fiscal years 2018-2022 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent
Medicare Trend Assumption	
Medicare	
Fiscal year 2022	5.125 percent decreasing to 4.40 percent
Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent
Pre – Medicare	
Fiscal year 2022	6.75 percent decreasing to 4.40 percent
Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 4.00 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

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

For fiscal year 2022, the discount rate was decreased from 7.45 percent to 7.00 percent. The health care cost trend rates modified.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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

For fiscal year 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984 per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

There were no benefit term changes from the amounts reported for fiscal year 2022.

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

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

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 SMART Academy, 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 May 5, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy.

Report on 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.

Report on 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

May 5, 2023

OHIO AUDITOR OF STATE
KEITH FABER

SMART ACADEMY

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/25/2023

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