



**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Innovation Academy West
Cuyahoga County
13111 Crossburn Ave
Cleveland, Ohio 44135

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinions

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 opinions.

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

Supplementary information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025, 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

February 13, 2025

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**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)**

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

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

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- Total net position increased by \$580,500.
- Total operating and non-operating revenues were \$2,051,805.
- Total expenses were \$1,471,305.
- Current liabilities were \$347,134.
- The School had \$807,466 of long-term liabilities as of June 30, 2022.
- Net Pension Liability decreased \$552,211 which is offset by an increase of \$458,632 in Deferred Inflows.
- The School implemented GASB 87 during fiscal year 2022, which caused the School to recognize the intangible right to use capital assets that it leases along with an offsetting lease payable as of July 1, 2021.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2022. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors; some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)**

Table 1 provides a summary of the School's net position for 2022, compared to 2021.

(Table 1)		
Statement of Net Position		
	2022	Restated 2021
Assets		
Current Assets	\$ 623,003	\$ 368,438
Non-Current Assets	96,418	68,701
Capital Assets, Net	307,338	243,186
Total Assets	1,026,759	680,325
Deferred Outflows		
Pension Requirements	401,096	300,608
OPEB	55,635	75,897
Total Deferred Outflows of Resources	456,731	376,505
Liabilities		
Current Liabilities	347,134	357,206
Long Term Liabilities	807,466	1,448,596
Total Liabilities	1,154,600	1,809,342
Deferred Inflows		
Pension Requirements	953,302	494,670
OPEB	212,431	173,701
Total Deferred Inflows of Resources	1,165,733	668,371
Net Position		
Net Investment in Capital Assets	168,772	83,439
Restricted for Grants	-	13,232
Unrestricted	(1,005,615)	(1,514,014)
Total Net Position	\$ (836,843)	\$(1,417,343)

Total assets were \$1,026,759, while total liabilities were \$1,154,600. Cash and cash equivalents were \$445,569 while receivables and other current assets were \$177,434.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)**

Table 2 shows the changes in net position for year ended June 30, 2022, compared with 2021.

(Table 2)
Change in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues		
State Aid	\$ 1,031,282	\$ 1,077,634
Casino Aid	6,845	113,042
Facilities Aid	47,150	28,443
Non-Operating Revenue		
Grants	949,339	744,433
Miscellaneous	16,662	10,654
Interest Income	527	78
Total Revenues	<u>2,051,805</u>	<u>1,974,284</u>
Operating/Non Operating Expenses		
Purchased Services: Salaries and Benefits	324,433	381,919
Benefits	118,678	109,327
Change in Net Pension and OPEB Liability	(211,613)	-
Purchased Services	1,032,892	830,177
Supplies	114,856	159,594
Miscellaneous	19,264	25,866
Depreciation/Amortization	65,942	23,736
Non-Operating Expenses		
Interest and Fiscal Charges	6,853	3,178
Total Expenses	<u>1,471,305</u>	<u>1,533,797</u>
Change in Net Position	<u>\$ 580,500</u>	<u>\$ 440,487</u>

Net Pension Liability & Net OPEB Liability/Asset

The net pension liability (NPL) is the largest single liability reported by the School at June 30, 2022 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, the School adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)**

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the School'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 School is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability/asset. 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/asset 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 School's statements include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)**

Capital Assets

At the end of fiscal year 2022, the School had \$307,338, invested in Computers and Equipment and Buildings.

(Table 3)

Capital Assets (Net of Depreciation)

	2022	Restated 2021
Furniture Fixtures and Equipment	178,007	92,300
Intangible Right-to-Use Building	129,331	150,886
Total Capital Assets, net	<u>\$ 307,338</u>	<u>\$ 243,186</u>

For more information on capital assets, see Note 5 to the Basic Financial Statements.

Budgeting Highlights

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

Debt

At June 30, 2022, the School had long term debt due to the implementation of GASB 87 in the amount of \$118,081.

Current Financial Issues

Innovation Academy West received revenue for 103 students in 2022 and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives the majority of its support from State Aid. Per pupil revenue from State Aid for the School averaged \$10,012 fiscal year 2022. The School receives additional revenues from grant subsidies.

On July 1, 2005, the School contracted with the Saint Aloysius Orphanage as its sponsor. State law allows sponsors to assess the schools up to three percent of State revenues as an oversight fee. Saint Aloysius Orphanage charged three percent of State Aid to be paid by the School for fiscal year 2022.

In June 2016, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2019. Effective July 1, 2019, the School signed a new agreement for four years with the same terms ending June 30, 2023. The School may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)**

Currently Known Facts

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the School. Due to the dynamic environment and change in fiscal policies, the exact impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Darlene C Holt, Fiscal Officer for Innovation Academy West, 13111 Crossburn Avenue Cleveland, Ohio 44135 or e-mail at holtbiz.consult@gmail.com.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 445,569
Accounts Receivable	944
State Funding Receivable	3,505
Grants Receivable	172,985
Total Current Assets	<u>623,003</u>

Noncurrent Assets:

Net OPEB Asset	96,418
Depreciable Capital Assets, net	<u>307,338</u>
Total Noncurrent Assets	<u>403,756</u>

Total Assets	<u>1,026,759</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Requirements	401,096
OPEB	<u>55,635</u>
Total Deferred Outflows of Resources	<u>456,731</u>

LIABILITIES

Current Liabilities

Accounts Payable	69,882
Grants Funding Payable	34,935
Continuing Fee Payable	219,860
Interest Payable	346
Short Term Lease Payable	<u>22,111</u>
Total Current Liabilities	<u>347,134</u>

Long-Term Liabilities:

Long Term Lease Payable	116,109
Net Pension Liability	654,442
Net OPEB Liability	<u>36,915</u>
Total Long-Term Liabilities	<u>807,466</u>

Total Liabilities	<u>1,154,600</u>
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DEFERRED INFLOWS OF RESOURCES

Pension Requirements	953,302
OPEB	<u>212,431</u>
Total Deferred Inflows of Resources	<u>1,165,733</u>

NET POSITION

Net Investment in Capital Assets	168,772
Unrestricted	<u>(1,005,615)</u>
Total Net Position	<u>\$ (836,843)</u>

See accompanying notes to the basic financial statements

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

OPERATING REVENUES

State Aid	\$ 1,031,282
Casino Aid	6,845
Facilities Aid	47,150
Total Operating Revenues	<u>1,085,277</u>

OPERATING EXPENSES

Benefits	118,678
Change in Net Pension and OPEB Liability	(211,613)
Purchased Services: Salaries and Benefits	324,433
Purchased Services-Other	1,032,892
Supplies	114,856
Depreciation/Amortization	65,942
Other Operating Expenses	19,264
Total Operating Expenses	<u>1,464,452</u>

Operating Loss	<u>(379,175)</u>
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NON-OPERATING REVENUE/(EXPENSES)

Grants	949,339
Interest and Fiscal Charges	(6,853)
Interest Income	527
Miscellaneous	16,662
Total Non-Operating Revenue/(Expenses)	<u>959,675</u>

Change in Net Position	580,500
Net Position Beginning of Year	<u>(1,417,343)</u>
Net Position End of Year	<u><u>\$ (836,843)</u></u>

See accompanying notes to the basic financial statements

**INNOVATION ACADEMY WEST
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 of Ohio	\$1,085,659
Cash Payments for Employee Benefits	(118,678)
Cash Payments to Suppliers for Goods and Services	(1,501,170)
Other Cash Payments	(19,264)
Net Cash Used For Operating Activities	<u>(553,453)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Payments for Capital Acquisitions	(130,094)
Cash Payments for Principal	(41,665)
Cash Payments for Interest and Fiscal Charges	(6,853)
Net Cash Used For Capital Financing Activities	<u>(178,612)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grants	907,210
Miscellaneous Cash Revenues	53,936
Net Cash Provided by Noncapital Financing Activities	<u>961,146</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest on Investments	<u>527</u>
Net Increase in Cash and Cash Equivalents	229,609
Cash and Cash Equivalents Beginning of Year	<u>215,960</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 445,569</u></u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED FOR OPERATING ACTIVITIES

Operating Loss	(379,175)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET

CASH USED FOR OPERATING ACTIVITIES

Depreciation / Amortization	65,942
Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:	
State Funding Receivable	382
Net OPEB Asset	(27,717)
Accounts Payable	(28,989)
Net Pension Liability	(552,211)
Deferred Outflows-Pension	(100,488)
Deferred Inflows-Pension	458,632
Net OPEB Liability	(48,821)
Deferred Outflows-OPEB	20,262
Deferred Inflows-OPEB	<u>38,730</u>
Net Cash Used For Operating Activities	<u><u>\$ (553,453)</u></u>

See accompanying notes to the basic financial statements

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

The School contracts with The Educational Empowerment Group (EEG) for management, educational, financial, and other consulting services necessary to form and operate a school. See Note 7 for further information.

The School was originally approved for operation under contract with the Ohio State Board of Education for a period of five years from May 16, 2000 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. The School signed a contract with a sponsor, Saint Aloysius Orphanage (Sponsor), to operate for a period from July 1, 2005 through June 30, 2010. The School extended its contract with SAO through June 30, 2013, then renewed its contract for two academic school years through June 30, 2016. In June 2016, they signed a new agreement for a term of one year that will automatically renew for one year terms through June 30, 2019. The SAO contract has been renewed through June 30, 2023.

The School operates under a self-appointing, five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The facility is staffed with teaching personnel employed by EEG, who provide services to 103 students. At June 30, 2022, all board members sat on the board of Lake Erie International High School in the City of Cleveland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2022. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts, a money market account, and STAR Ohio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2022, the School invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain Investment Pools and Pool Participants." The School measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$250 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**INNOVATION ACADEMY WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Intergovernmental Revenues (continued)

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions 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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2022 school year totaled \$2,034,616.

F. Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation at \$307,338. Depreciation is computed by the straight-line method over five to thirty-nine years for "Leasehold Improvements" and "Buildings," and five years for "Computers and Equipment."

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

G. Use of Estimates

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

H. Net Position

Net Position represents the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net Position are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

I. Operating Revenues and Expenses

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

**INNOVATION ACADEMY WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pensions

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

For the School, deferred outflows of resources are reported on the statement of net position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position. (See Notes 8 and 9).

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2022, the carrying amount of all School deposits was \$445,569, and its bank balance was \$449,469. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2022, none of the bank balances were exposed to credit risk, with all of the School's bank balance was covered by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2022, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>
		<u>6 months or less</u>
STAR Ohio	\$261,444	\$261,444

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School, will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School's investment policy does not deal with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

**INNOVATION ACADEMY WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

3. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk: As a means of limiting its exposure to measurement value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2022, is 54.4 days.

Credit Risk: The School's investments at June 30, 2022 in STAR Ohio are rated AAAM by Standard & Poor's.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2022:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Percent to Total</u>
STAR Ohio	\$261,444	100.00

4. RECEIVABLES/PAYABLES

The School has recorded "Grants Funding Receivable" in the amount of \$172,985 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2022. State Funding Receivable of \$3,505 is due per FTE adjustments in fiscal year 2022.

Accounts Payable of \$69,882 is due various vendors during the normal course of operations. Additionally, under the terms of the former management agreement, the School has recorded a liability to White Hat Management Company of Ohio, LLC, (WHLS), in the amount of \$254,795 for 100 percent of any State and Federal grant monies uncollected or unpaid to WHLS as of June 30, 2013.

5. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2022, the School's capital assets consisted of the following:

	<u>Restated Balance 6/30/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2022</u>
<i>Capital Assets Being Depreciated / Amortized</i>				
Intangible Right-to-Use Building	\$ 150,886	\$ -	\$ -	\$ 150,886
Intangible Right-to-Use Equipment	11,137	-	-	11,137
Computers & Equipment	137,096	130,094	-	267,190
<i>Total Assets Being Depreciated / Amortized</i>	<u>299,119</u>	<u>130,094</u>	<u>-</u>	<u>429,213</u>
<i>Less: Accumulated Depreciation / Amortization</i>				
Intangible Right-to-Use Building	-	(21,555)	-	(21,555)
Intangible Right-to-Use Equipment	(2,227)	(2,227)	-	(4,454)
Computers & Equipment	<u>(53,706)</u>	<u>(42,160)</u>	<u>-</u>	<u>(95,866)</u>
<i>Total Accumulated Depreciation / Amortization</i>	<u>(55,933)</u>	<u>(65,942)</u>	<u>-</u>	<u>(121,875)</u>
<i>Total Capital Assets, Net</i>	<u>\$ 243,186</u>	<u>\$ 64,152</u>	<u>\$ -</u>	<u>\$ 307,338</u>

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2022, the School contracted with the Cincinnati Insurance Company for the following insurance coverage:

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

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School had paid all premiums as of June 30, 2022. Settled claims have not exceeded commercial coverage in any year of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

C. Employee Medical, Dental and Vision Benefits

The School has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full-time employees who work 40 or more hours per week.

7. AGREEMENT WITH EDUCATIONAL EMPOWERMENT GROUP

Effective July 1, 2018, the School entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The initial term of the Agreement with EEG, LLC expired on June 30, 2019 and will automatically renew for 2 additional years unless one party notifies the other party no later than six months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to EEG, LLC. The school renewed its agreement in June 2021 for another two years.

EEG, LLC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay EEG, LLC a monthly continuing fee of 14 percent of the School's "Qualified gross revenues", defined in the Agreement as, all revenues and income received by the School except for charitable contributions. The continuing fee is paid to EEG, LLC based on the qualified gross revenues.

The School had purchased service expenses for the year ended June 30, 2022, to EEG of \$467,489 (which includes \$143,057 in management fees), with payable to EEG at June 30, 2022. EEG is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

7. AGREEMENT WITH EDUCATIONAL EMPOWERMENT GROUP (continued)

The table below summarizes expenses of the management company on behalf of the School.

Innovation Academy West	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<i>Direct expenses:</i>					
Salaries & wages (100 object codes)	\$ 398,524	\$ 119,132	\$ 250,287	\$ -	\$ 767,943
Employees' benefits (200 object codes)	-	-	-	4,426	4,426
Professional & technical services (410 object codes)	-	-	-	3,666	3,666
Property services (420 object codes)	-	-	-	4,259	4,259
Supplies (500 object codes)	-	-	-	6,109	6,109
Other direct costs (All other object codes)	-	-	-	19,991	19,991
Overhead	-	-	-	115,023	115,023
Total expenses	\$ 398,524	\$ 119,132	\$ 250,287	\$ 153,474	\$ 921,417

8. DEFINED BENEFIT PENSION PLANS

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

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

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

The net pension/OPEB liability (asset) represents the School'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.

The Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School 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.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. Net Pension Liability/Net OPEB Liability (Asset) (continued)

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 *Accounts payable*.

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire 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, may be included in this plan.

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of zero percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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 School's contractually required contribution to SERS was \$11,149 for fiscal year 2022.

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

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

**INNOVATION ACADEMY WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

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 School 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 School's contractually required contribution to STRS was \$74,095 for fiscal year 2022.

D. 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 School'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	0.00188950%	0.00457320%	
Prior Measurement Date	0.00394270%	0.00390915%	
Change in Proportionate Share	-0.00205320%	0.00066405%	
Proportionate Share of the Net			
Pension Liability	\$ 69,717	\$ 584,725	\$ 654,442
Pension Expense	\$ (28,978)	\$ (79,845)	\$ (108,823)

**INNOVATION ACADEMY WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

At June 30, 2022 the School 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	\$ 6	\$ 18,066	\$ 18,072
Changes of Assumptions	1,468	162,213	163,681
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	18,744	115,355	134,099
School Contributions Subsequent to the Measurement Date	11,149	74,095	85,244
Total Deferred Outflows of Resources	<u>\$ 31,367</u>	<u>\$ 369,729</u>	<u>\$ 401,096</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 1,808	\$ 3,664	\$ 5,472
Net Difference between Projected and Actual Earnings on Pension Plan Investments	35,905	503,921	539,826
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	78,047	329,957	408,004
Total Deferred Inflows of Resources	<u>\$ 115,760</u>	<u>\$ 837,542</u>	<u>\$ 953,302</u>

\$85,244 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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	\$ (39,182)	\$ (202,366)	\$ (241,548)
2024	(36,801)	(181,809)	(218,610)
2025	(8,538)	(86,678)	(95,216)
2026	(11,021)	(71,055)	(82,076)
Total	<u>\$ (95,542)</u>	<u>\$ (541,908)</u>	<u>\$ (637,450)</u>

**INNOVATION ACADEMY WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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:

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
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 investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent 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.

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8. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions - SERS (continued)

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 Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 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 investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18 percent.

Sensitivity of the School'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 School's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School'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
School's Proportionate Share of the Net Pension Liability	\$ 115,992	\$ 69,717	\$ 30,691

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8. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2021 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016. An actuarial experience study is done on a quinquennial basis.

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

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

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

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8. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions - STRS (continued)

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 that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School's proportionate share of the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the School'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 assumption:

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 1,094,971	\$ 584,725	\$ 153,568

Assumption and Benefit Changes since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

9. DEFINED BENEFIT OPEB PLANS

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

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

Health Care Plan Description - The School 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.

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9. DEFINED BENEFIT OPEB PLANS (Continued)

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

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, 2022, 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 \$25,000. 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 school's surcharge obligation was \$1,321.

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

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

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

C. 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 School's proportion of the net OPEB liability (asset) was based on the School'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:

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9. DEFINED BENEFIT OPEB PLANS (Continued)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00195100%	0.00457300%	
Prior Measurement Date	0.00394500%	0.00390900%	
Change in Proportionate Share	<u>-0.00199400%</u>	<u>0.00066400%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 36,915	\$ (96,418)	
OPEB Expense	\$ (11,427)	\$ (4,798)	\$ (16,225)

At June 30, 2022, the School 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	\$ 395	\$ 3,431	\$ 3,826
Changes of Assumptions	5,791	6,159	11,950
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	26,384	12,154	38,538
School Contributions Subsequent to the			
Measurement Date	1,321	-	1,321
Total Deferred Outflows of Resources	<u>\$ 33,891</u>	<u>\$ 21,744</u>	<u>\$ 55,635</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 18,389	\$ 17,662	\$ 36,051
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	804	26,726	27,530
Changes of Assumptions	5,058	57,522	62,580
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	71,326	14,944	86,270
Total Deferred Inflows of Resources	<u>\$ 95,577</u>	<u>\$ 116,854</u>	<u>\$ 212,431</u>

\$1,321 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 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:

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9. DEFINED BENEFIT OPEB PLANS (Continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	\$ (14,815)	\$ (24,404)	\$ (39,219)
2024	(14,821)	(23,742)	(38,563)
2025	(12,307)	(29,227)	(41,534)
2026	(8,112)	(13,910)	(22,022)
2027	(7,653)	(3,967)	(11,620)
Thereafter	(5,299)	140	(5,159)
Total	<u>\$ (63,007)</u>	<u>\$ (95,110)</u>	<u>\$ (158,117)</u>

D. 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:

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9. DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions - SERS (continued)

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	6.750 percent - 4.40 percent
Medicare	5.125 percent - 4.40 percent

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 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent 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 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 2016 through 2020, and was adopted by the Board on April 21, 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 (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 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 time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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9. DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions - SERS (continued)

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	<u>100.00 %</u>	

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 plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate (7.00 percent decreasing to 4.75 percent).

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 45,754	\$ 36,915	\$ 29,871
	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 28,429	\$ 36,915	\$ 48,272

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9. DEFINED BENEFIT OPEB PLANS (Continued)

E. Actuarial Assumptions – STRS

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

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 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.

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

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

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

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9. DEFINED BENEFIT OPEB PLANS (Continued)

E. Actuarial Assumptions – STRS

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 assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the School'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 of June 30, 2021, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (81,362)	\$ (96,418)	\$ (108,995)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (108,485)	\$ (96,418)	\$ (81,495)

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

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

10. CONTINGENCIES

A. Grants

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

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10. CONTINGENCIES (Continued)

B. Full Time Equivalency

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2022 and determined the School was due \$13. This amount was not reported as a receivable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized. As a result, the impact of future FTE adjustments on the fiscal year 2022 financial statements should not require an additional receivable to, or a liability of the School.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2022 are finalized whereby the impact on the fiscal year 2022 financial statements, related to additional reconciliation necessary with this contract will not result in either an additional receivable to, or liability of, the School.

C. Litigation

In February 2009, the School Filed a Lawsuit against the WHLS and its affiliates for matters related to the management agreement. The effect of this lawsuit is presently not determinable.

D. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School's investment portfolio and the investments of the pension and other employee benefit plans in which the School participates may fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

11. FEDERAL TAX STATUS

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

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

12. SPONSORSHIP FEES

The School contracted with Saint Aloysius Orphanage (SAO) as its sponsor effective July 1, 2013. The School pays the sponsor three percent of State Aid. The contract is for two years ending June 30, 2016. The Sponsor provides oversight, monitoring, and technical assistance for the School. Total fees for fiscal year 2022 were \$27,402. In June 2018, the School and the Sponsor signed a new agreement for a term of one (1) year and will automatically renew for one (1) year terms through June 30, 2019. In June 2019, another term with the sponsor was renewed through June 30, 2023. The School may terminate the agreement by sending notice 180 days prior to June 30. The Sponsor can terminate by sending notice by February 1st of the termination year.

13. PURCHASED SERVICES

For the period July 1, 2021 through June 30, 2022, other purchased service expenses were for the following services:

	2022
Personal Services	1,115,390
Property Services	126,974
Travel and Professional Development	2,251
Communications	13,510
Utilities	30,425
Trade Services	67,945
Transportation	831
Total	<u><u>\$ 1,357,326</u></u>

14. LEASES – LESSEE DISCLOSURE

On February 5, 2018, the School sold its building to Lake Erie International High School (LEI) for \$730,000. The School and LEI entered into a lease agreement ending June 30, 2020. On July 1, 2020 the School and LEI renegotiated an eight year lease ending June 30, 2028 where the School pays LEI \$2,000.00 per month.

15. CAPITALIZED LEASE OBLIGATION

The School entered into a capitalized lease for the acquisition of equipment. The lease meets the criteria of a capital lease as defined by the accounting standards, which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment of \$11,137.

16. DEBT

A summary of long-term obligations for the outstanding leases and pension obligations at June 30, 2022, is as follows:

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY, OHIO**

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

16. DEBT (Continued)

	Restated Principal Outstanding			Principal Outstanding	Amounts Due Within
	<u>6/30/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2022</u>	<u>One Year</u>
Equipment	\$ 8,861		\$ (1,618)	\$ 7,243	\$ 1,972
Building	150,886		(19,909)	130,977	20,139
Net Pension Liability	1,206,653	-	(552,211)	654,442	-
Net OPEB Liability	<u>85,736</u>	<u>-</u>	<u>(48,821)</u>	<u>36,915</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 1,452,136</u>	<u>\$ -</u>	<u>\$ (622,559)</u>	<u>\$ 829,577</u>	<u>\$ 22,111</u>

17. FOUNDATION FUNDING

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

18. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, and leases certain provisions of GASB Statement No. 93.

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. These changes were incorporated in the School's financial statements, however, there was no effect on beginning net position.

Innovation Academy West
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Nine Fiscal Years (1)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)									
School's Proportion of the Net Pension Liability	0.00188950%	0.00394270%	0.00254460%	0.00347820%	0.00436060%	0.00448630%	0.00756560%	0.00683500%	0.00683500%
School's Proportionate Share of the Net Pension Liability	\$ 69,717	\$ 260,778	\$ 152,248	\$ 199,203	\$ 260,536	\$ 328,358	\$ 431,700	\$ 345,915	\$ 406,456
School's Covered Payroll	\$ 63,807	\$ 136,214	\$ 88,793	\$ 113,852	\$ 141,357	\$ 516,600	\$ 660,311	\$ 608,218	\$ 361,980
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	109.26%	191.45%	171.46%	174.97%	184.31%	63.56%	65.38%	56.87%	112.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)									
School's Proportion of the Net Pension Liability	0.00457320%	0.00390915%	0.00488236%	0.00752024%	0.00803707%	0.00712868%	0.00635991%	0.00592977%	0.00592977%
School's Proportionate Share of the Net Pension Liability	\$ 584,725	\$ 945,875	\$ 1,079,705	\$ 1,653,532	\$ 1,890,644	\$ 2,386,184	\$ 1,757,693	\$ 1,442,325	\$ 1,718,088
School's Covered Payroll	\$ 564,300	\$ 471,771	\$ 573,207	\$ 884,350	\$ 885,150	\$ 716,850	\$ 707,014	\$ 796,954	\$ 1,143,754
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.62%	200.49%	188.36%	186.98%	213.60%	332.87%	248.61%	180.98%	150.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**Innovation Academy West
Cuyahoga County, Ohio**
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net OPEB Liability
Last Six Fiscal Years (1)

	2022	2021	2020	2019	2018	2017
School Employees Retirement System (SERS)						
School's Proportion of the Net OPEB Liability	0.00195100%	0.00394500%	0.00262200%	0.00353430%	0.00442700%	0.00491553%
School's Proportionate Share of the Net OPEB Liability	\$ 36,915	\$ 85,736	\$ 65,940	\$ 98,051	\$ 118,809	\$ 140,111
School's Covered Payroll	\$ 63,807	\$ 136,214	\$ 88,793	\$ 113,852	\$ 141,357	\$ 516,600
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	57.85%	62.94%	74.26%	86.12%	84.05%	27.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)						
School's Proportion of the Net OPEB Liability/(Asset)	0.00457300%	0.00390900%	0.00488200%	0.00752024%	0.00772681%	0.00695335%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (96,418)	\$ (68,701)	\$ (80,858)	\$ (120,843)	\$ 301,472	\$ 371,867
School's Covered Payroll	\$ 564,300	\$ 471,771	\$ 573,207	\$ 884,350	\$ 885,150	\$ 716,850
School's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-17.09%	-14.56%	-14.11%	-13.66%	34.06%	51.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.73%	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Innovation Academy West
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of School Contributions- Pension
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS)										
Contractually Required Contribution	\$ 11,149	\$ 8,933	\$ 19,070	\$ 11,987	\$ 15,370	\$ 19,790	\$ 72,324	\$ 87,029	\$ 84,299	\$ 50,098
Contributions in Relation to the Contractually Required Contribution	<u>(11,149)</u>	<u>(8,933)</u>	<u>(19,070)</u>	<u>(11,987)</u>	<u>(15,370)</u>	<u>(19,790)</u>	<u>(72,324)</u>	<u>(87,029)</u>	<u>(84,299)</u>	<u>(50,098)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's Covered Payroll	\$ 79,636	\$ 63,807	\$ 136,214	\$ 88,793	\$ 113,852	\$ 141,357	\$ 516,600	\$ 660,311	\$ 608,218	\$ 361,980
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$ 74,095	\$ 79,002	\$ 66,048	\$ 80,249	\$ 123,809	\$ 123,921	\$ 100,359	\$ 98,982	\$ 103,604	\$ 148,688
Contributions in Relation to the Contractually Required Contribution	<u>(74,095)</u>	<u>(79,002)</u>	<u>(66,048)</u>	<u>(\$80,249)</u>	<u>(123,809)</u>	<u>(123,921)</u>	<u>(100,359)</u>	<u>(98,982)</u>	<u>(103,604)</u>	<u>(148,688)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School's Covered Payroll	\$ 529,250	\$ 564,300	\$ 471,771	\$ 573,207	\$ 884,350	\$ 885,150	\$ 716,850	\$ 707,014	\$ 796,954	\$ 1,143,754
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Innovation Academy West
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the School's Contributions - OPEB
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
School Employees Retirement System (SERS)										
Contractually Required Contribution (1)	\$ 1,321	\$ 1,263	\$ 1,842	\$ 2,112	\$ 3,098	\$ 2,361	\$ 4,071	\$ 8,318	\$ 14,024	\$ 6,349
Contributions in Relation to the Contractually Required Contribution	(1,321)	(1,263)	(1,842)	(2,112)	(3,098)	(2,361)	(4,071)	(8,318)	(14,024)	(6,349)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School's Covered Payroll	\$ 79,636	\$ 63,807	\$ 136,214	\$ 88,793	\$ 113,852	\$ 141,357	\$ 516,600	\$ 660,311	\$ 608,218	\$ 361,980
OPEB Contributions as a Percentage of Covered Payroll (1)	1.66%	1.98%	1.71%	2.38%	2.72%	1.67%	0.79%	1.26%	2.31%	1.75%
State Teachers Retirement System (STRS)										
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,970	\$ 11,438
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	0	0	0	0	(7,970)	(11,438)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
School's Covered Payroll	\$529,250	\$564,300	\$ 471,771	\$ 573,207	\$884,350	\$885,150	\$716,850	\$707,014	\$ 796,954	\$ 1,143,754
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

(1) Includes surcharge

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Innovation Academy West
Cuyahoga County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

NOTE 1 - NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

Changes in Assumptions - SERS

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Payroll growth assumption was reduced from 3.50 percent to 1.75 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

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

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

Changes in Benefit Terms - SERS

For fiscal year 2021, cost-of-living adjustments was reduced from 2.50 percent to 2.00 percent.

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

Changes in Assumptions – STRS

For fiscal year 2022, the long term expected rate of return was reduced from 7.45 percent to 7.00 percent.

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

Innovation Academy West
Cuyahoga County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Changes in Benefit Terms - STRS

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

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 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

Pre-Medicare Trend Assumption

Fiscal year 2022	6.75 percent initially, decreasing to 4.40 percent
Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare Trend Assumption

Fiscal year 2022	5.125 percent initially, decreasing to 4.40 percent
Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Benefit Terms – SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health

**Innovation Academy West
Cuyahoga County, Ohio**
*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022*

care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

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

Changes in Benefit Terms – STRS

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

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

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

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

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**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$47,646
National School Lunch Program	10.555	82,587
Total Child Nutrition Cluster		<u>130,233</u>
Total U.S. Department of Agriculture		<u>130,233</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies- 2021	84.010	17,875
Title I Grants to Local Educational Agencies- 2022	84.010	194,897
Total Title I Grants to Local Educational Agencies		<u>212,772</u>
<i>Special Education Cluster:</i>		
Special Education Grants to States- 2021	84.027	4,412
Special Education Grants to States- 2022	84.027	27,438
Special Education Grants to States- Preschool	84.173	1,154
Total Special Education Cluster		<u>33,004</u>
Supporting Effective Instruction State Grants- 2021	84.367	5,433
Supporting Effective Instruction State Grants- 2022	84.367	5,354
Total Supporting Effective Instruction State Grants		<u>10,787</u>
Student Support and Academic Enrichment Program	84.424	14,008
COVID-19- Education Stabilization Fund- ESSER I&II	84.425D	193,680
COVID-19- Education Stabilization Fund- ARP ESSER	84.425U	223,214
Total Education Stabilization Fund		<u>416,894</u>
Total U.S. Department of Education		<u>687,465</u>
Total Expenditures of Federal Awards		<u><u>\$817,698</u></u>

The accompanying notes are an integral part of this schedule.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The Academy did not provide funds to subrecipients during the audit period.

NOTE E - CHILD NUTRITION CLUSTER

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

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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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

Innovation Academy West
Cuyahoga County
13111 Crossburn Ave
Cleveland, Ohio 44135

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Innovation Academy West, 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 and have issued our report thereon dated February 13, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

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*.

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The Academy's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

February 13, 2025



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Innovation Academy West
Cuyahoga County
13111 Crossburn Ave
Cleveland, Ohio 44135

To the Board of Directors:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2025

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**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program:	AL #84.425 – COVID-19 Education Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2022-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**INNOVATION ACADEMY WEST
CUYAHOGA COUNTY**

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

Due to insufficient internal controls, we noted the Academy did not properly implement Governmental Accounting Standards Board Statement No. 87, Leases, resulting in material errors which have been adjusted in the accompanying financial statements. Purchased Services Operating Expenses were overstated by \$24,281 and Depreciable Capital Assets, Leases Payable, Interest Payable, Depreciation/Amortization Operating Expenses, Other Operating Expenses and Interest Expenses were understated of \$129,331, \$130,977, \$346, \$21,555, \$280, and \$4,438, respectively.

The insufficient controls over the proper posting of financial transactions and financial reporting resulted in adjustments to the financial statements and notes made by the Academy.

The Academy should keep updated on new accounting standards and ensure applicability is evaluated, and where necessary, accounting policies are modified to be in compliance.

Officials' Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None



CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2022

Finding Number:	2022-001
Planned Corrective Action:	The Treasurer will consult and contract with IPA auditors to ensure GASB calculations are accurate and complete for the upcoming audits. All errors were corrected prior to the release of the audit.
Anticipated Completion Date:	07/01/2023
Responsible Contact Person:	Darlene Holt

OHIO AUDITOR OF STATE KEITH FABER



INNOVATION ACADEMY WEST

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/11/2025

65 East State 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