OHIO AUDITOR OF STATE
KEITH FABER

SMART ACADEMY
CUYAHOGA COUNTY
JUNE 30, 2020

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the SMART Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SMART Academy as of June 30, 2020 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.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2021

The discussion and analysis of SMART Academy (Academy) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the financial performance of Academy as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of Academy.

Financial Highlights

Key financial highlights for 2020 include the following:

- In the second year of operations Academy successfully expanded enrollment from 41 to 86 students serving students in grades kindergarten through 4.

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

- During the year, full-time Academy staff consisted of six teachers, one secretary and a superintendent. An assistant principal was hired for the second half of the year and a treasurer was hired part time for the entire year.

- Academy secured a $12,000 short-term loan, which was paid off during the year, to manage cash flow for school operations.

- A Paycheck Protection Program loan totaling $77,750 was obtained by Academy in May of 2020.

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

Using this Financial Report

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

Statement of Net Position

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

	2020	2019	Change	%
Assets				
Cash	$80,613	$0	$80,613	N/A
Other Current Assets	11,461	25,213	(13,752)	-54.5%
Non-Current Assets	38,836	6,192	32,644	527.2%
Deferred Outflow of Resources	491,047	38,549	452,498	1173.8%
Total Assets and Deferred Outflow of Resources	621,957	69,954	552,003	789.1%
Liabilities				
Current Liabilities	181,921	242,349	(60,428)	-24.9%
Long-Term Liabilities	705,415	184,609	520,806	282.1%
Deferred Inflow of Resources	71,618	0	71,618	N/A
Total Liabilities and Deferred Inflow of Resources	958,954	426,958	531,996	124.6%
Net Position				
Unrestricted	(336,997)	(357,004)	20,007	-5.6%
Total Net Position	($336,997)	($357,004)	$20,007	-5.6%

Total Net Position increased $20,007 from 2019 to 2020. For assets, cash increased $80,613; accounts receivable increased $2; due from other governments decreased $13,754; OPEB asset increased $32,644; and deferred outflow of resources increased $452,498. For liabilities accounts payable decreased $88,243; interest payable decreased $2,739; accrued payroll increased $14,701; accrued benefits increased $1,132; due to other governments decreased $14,405; loans payable increased $26,485; OPEB liability increased $29,227; net pension liability increased $503,448 and deferred inflow of resources increased $71,618 from 2019.

Statement of Revenues, Expenses and Changes in Net Position

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

	2020	2019	Change	%
Revenues				
Foundation, Facilities & Economic Disadvantaged Revenues	$731,577	$341,711	$389,866	114.1%
Casino Tax Distributions	3,451	873	2,578	295.3%
Other Operating Revenues	2,726	3,958	(1,232)	-31.1%
Total Operating Revenues	737,754	346,542	391,212	112.9%
Interest Income	6	3	3	100.0%
Contributions	400	4,436	(4,036)	-91.0%
Federal and State Grants	177,149	60,449	116,700	193.1%
Total Non-Operating Revenues	177,555	64,888	112,667	173.6%
Total Revenues	915,309	411,430	503,879	122.5%
Expenses				
Salaries	376,186	298,838	77,348	25.9%
Fringe Benefits	103,904	78,201	25,703	32.9%
Pension and OPEB Expense	119,151	(38,549)	157,700	-409.1%
Purchased Services	231,336	237,510	(6,174)	-2.6%
Materials and Supplies	20,588	57,559	(36,971)	-64.2%
Capital Outlay	12,846	39,257	(26,411)	-67.3%
Other Expenses	31,291	48,149	(16,858)	-35.0%
Total Expenses	895,302	720,965	174,337	24.2%
Changes in Net Position	20,007	(309,535)	329,542	-106.5%
Net Position: Beginning of the Year	(357,004)	(47,469)	(309,535)	-652.1%
Net Position: End of Year	($336,997)	($357,004)	$20,007	-5.6%

Net Position increased in the fiscal year ended June 30, 2020 due to low enrollment in 2019 with an increase in enrollment for 2020; and decreased non-personnel operating expenses in 2020. Although certain expenditures such as salaries will increase as the number of classes increase, other costs remain fixed such as facilities costs resulting in more efficient operations. Additionally, grants have been received to supplement various educational programs and purchase educational equipment.

The most significant changes in revenues from 2019 to 2020 are directly related to the increased enrollment and include increases of $389,866 in State Foundation funding; increases of $2,578 from Casino Tax Revenues and increases of $116,700 in state and federal grant funds. Minor decreases occurred in other categories of revenues.

Expenses increased $174,337 from 2019 to 2020 due mainly to a change in net pension liability expense. Salaries and Fringe Benefits increased $103,051 due to staff additions and regular annual increases. An increase in Net Pension and OPEB expense totaling $157,700 is due to recognition of pension and OPEB liabilities. Purchased services decreased $6,174 due to reduced student services needs and legal services offset by increases in sponsor fees, fiscal services utilities and food services. Materials and Supplies decreased $36,971 and Capital Outlay decreased $26,411 due to substantial purchases made in the prior year. Other Expenses decreased $16,858 due to a combination of decreases in interest, dues and fees, accounting services and insurance expenses with an increase for auditing services.

Loans Payable

On March 15, 2018, Academy secured a $75,000 (seventy-five thousand dollar) loan for start-up operations. The loan is for a term of three years (36 months) with interest at 9.00% per annum and expires on September 1, 2021. Principal payments during fiscal year 2020 totaled $28,447 and interest expense totaled $4,042. As of June 30, 2020, the outstanding principal balance is $31,584.

On July 23, 2018, Academy secured a $199,500 (one hundred ninety-nine thousand five hundred dollar) loan for start-up operations. The loan is for a term of five years (60 months) with interest at 5.875% per annum and expires on November 1, 2023. Principal payments during fiscal year 2020 totaled $22,817 and interest expense totaled $10,238. As of June 30, 2020, the outstanding principal balance is $162,199 and interest payable totaling $794 has been recorded.

On July 8, 2019, Academy secured a short term $12,000 (twelve thousand dollar) loan for cash flow purposes. Interest was calculated at 0.50% per annum. The loan was substantially paid off on December 17, 2019 with a final principal payment of $323 on April 15, 2020. Principal payments during fiscal year 2020 totaled $12,000 and interest expense totaled $18.

Academy applied for and received a Paycheck Protection Program loan totaling $77,750 during the fiscal year. Under the terms of the program, Academy intends to apply for forgiveness of the loan in fiscal year 2021.

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

The net pension liability is the largest single liability reported by Academy at June 30, 2020 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pension and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of Academy's actual financial condition by adding deferred inflow related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflow related to pension and OPEB and net OPEB asset. Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

Current Financial Issues

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

For the 2020 school year a budget was adopted by the Board of Directors reducing loan and payable balances and providing Academy sufficient financial resources to operate effectively. Enrollment increased to eighty-six students with staff increasing to eight teaching staff and two administrative staff. Expenses for the year totaled $895,302 with Academy realizing an improvement in the year end Net Position.

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

Academy Response to the Coronavirus Pandemic

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

Contacting Academy's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for Academy and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Thomas F. Babb, M.A., CPA, by mail at SMART Academy, 4351 E. 131st Street, Garfield Heights, Ohio 44105; by e-mail at treasurer@smartacademycle.org; or by calling 216.714.3801.

SMART Academy
Cuyahoga County, Ohio
Statement of Net Position
As of June 30, 2020

Current Assets:	
Cash	$80,613
Due from Other Governments	11,459
Other Receivables	2
Total Current Assets	92,074
Non-Current Assets:	
Security Deposit	6,192
Net OPEB Asset	32,644
Total Non-Current Assets	38,836
Total Assets	130,910
Deferred Outflow of Resources:	
Pension	443,916
OPEB	47,131
Total Deferred Outflow of Resources	491,047
Total Assets and Deferred Outflow of Resources	621,957
Current Liabilities:	
Accounts Payable	36,291
Interest Payable	909
Accrued Wages	35,243
Accrued Benefits	6,329
Due to Other Governments	4,356
Loans Payable	98,793
Total Current Liabilities	181,921
Long Term Liabilities:	
Loans Payable	172,740
Net OPEB Liability	29,227
Net Pension Liability	503,448
Total Long Term Liabilities	705,415
Total Liabilities	887,336
Deferred Inflow of Resources:	
Pension	24,057
OPEB	47,561
Total Deferred Inflow of Resources	71,618
Total Liabilities and Deferred Inflow of Resources	958,954
Net Position:	
Unrestricted	(336,997)
Total Net Position	($336,997)

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

SMART Academy
Cuyahoga County, Ohio
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating Revenues:	
Foundation, Facilities & Economic Disadvantaged Revenues	$731,577
Casino Tax Distribution	3,451
Other Operating Revenues	2,726
Total Operating Revenues	737,754
Operating Expenses:	
Salaries	376,186
Fringe Benefits	103,904
Pension and OPEB Expense	119,151
Purchased Services	231,336
Materials and Supplies	20,588
Capital Outlay	12,846
Other Operating Expenses	16,558
Total Operating Expenses	880,569
Operating Loss	(142,815)
Non-Operating Revenues & Expenses:	
Interest Income	6
Interest Expense	(14,733)
Contributions	400
Federal and State Grants	177,149
Total Non-Operating Revenues & Expenses	162,822
Change in Net Position	20,007
Net Position at Beginning of the Year	(357,004)
Net Position at End of Year	($336,997)

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

SMART Academy
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Increase (Decrease) in Cash:	
Cash Flows Used for Operating Activities:	
Cash Received from State of Ohio	$735,028
Cash Payments to Employees for Services	(361,485)
Cash Payments to Suppliers for Goods and Services	(473,518)
Other Operating Revenues	2,726
Net Cash Used for Operating Activities	(97,249)
Cash Flows from Noncapital Financing Activities:	
Overdraft	(9,228)
Contributions Received	400
Federal and State Grants Received	177,670
Loan Proceeds	89,750
Principal Payments	(63,264)
Interest Payments	(17,472)
Net Cash Provided by Noncapital Financing Activities	177,856
Cash Flows from Investing Activities	
Interest	6
Net Cash Provided by Investing Activities	6
Net Increase in Cash	80,613
Cash at Beginning of Year	0
Cash at End of Year	$80,613

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

SMART Academy
Cuyahoga County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
(Continued)

Reconciliation of Operating Loss to Net Cash Flows Used for Operating Activities:	
Operating Loss	($142,815)
Changes in Assets, Liabilities, Deferred Inflows of Resources and Deferred Outflows of Resources:	
Decrease in Due from Other Governments	13,232
(Increase) in Other Receivables	(2)
(Increase) in Net OPEB Asset	(32,644)
(Increase) in Deferred Outflows - Pension	(406,289)
(Increase) in Deferred Outflows - OPEB	(46,209)
(Decrease) in Accounts Payable	(88,243)
Increase in Payroll Payable	14,701
Increase in Benefits Payable	1,132
Increase in Due to Other Governments	(14,405)
Increase in Net OPEB Liability	29,227
Increase in Net Pension Liability	503,448
Increase in Deferred Inflows - Pensions	24,057
Increase in Deferred Inflows - OPEB	47,561
Total Adjustments	45,566
Net Cash Flows Used for Operating Activities	($97,249)

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

I. Description of the School and Reporting Entity

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

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

Academy operates under a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls the instructional facilities for Academy, which is staffed by 8 certificated full-time personnel and 2 support staff who provided services to 86 students.

II. Summary of Significant Accounting Policies

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

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

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

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

3. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2020, Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, Fiduciary Activities
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates

The following statement is postponed by 18 months:

- Statement No. 87, Leases

4. Cash and Cash Equivalents

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

5. Budgetary Process

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

6. Due from Other Governments

Monies due Academy for the year ended June 30, 2020 are recorded as Due from Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

7. Intergovernmental Revenues

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

Academy also participates in Federal Entitlement Programs and the Federal Lunch Reimbursement Program. Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

Amounts awarded under the above-named programs for the 2020 school year totaled $912,177.

8. Private Grants and Contributions

Academy received grants and contributions from private sources to support Academy's' programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. Amounts received for the 2020 school year totaled $400.

9. Compensated Absences

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

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

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

During the school year, Academy accrued compensated absences earned by returning employees totaling $11,136 and corresponding employer state retirement system contributions totaling $3,317. As of June 30, 2020, compensated absence balances total $23,812 and corresponding employer state retirement system contributions total $6,329 respectively. These balances are included in Accrued Wages and Accrued Benefits.

10. Pensions and Other Postemployment Benefits (OPEB)

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

11. Accrued Liabilities and Long-term Obligations

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

12. Use of Estimates

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

13. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

14. Net Position

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

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

15. Operating Revenues and Expenses

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

III. Deposits

At fiscal year end June 30, 2020, the carrying amount of Academy’s deposits totaled $80,613 and its bank balance was $103,465. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosure,” as of June 30, 2020, none of the bank balance was exposed to custodial risk as discussed below.

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

IV. Loans Payable / Related Party Transactions

On March 15, 2018, Academy secured a $75,000 (seventy-five thousand dollar) loan with Bridget Williams, a private citizen and former member of the Board of Directors, for start-up operations. The loan is for a term of three years with interest at 9.00% per annum. Per the loan agreement, interest and principal are paid in equal monthly installments starting October 1, 2018, with loan maturity occurring on September 1, 2021. Principal payments during fiscal year 2020 totaled $28,447 and interest expense totaled $4,042 As of June 30, 2020, the outstanding principal balance is $31,584. There is no interest payable as of June 30, 2020. Future principal and interest due on the outstanding loan payable as of June 30, 2020 is as follows:

Year	Principal	Interest	Total
2021	$24,535	$1,699	$26,234
2022	7,049	106	7,155
Total	$31,584	$1,805	$33,389

On July 23, 2018, Academy secured a $199,500 (one hundred ninety-nine thousand five hundred dollar) loan with IFF, an Illinois not for profit corporation, for start-up operations. The loan is for a term of five years with interest at 5.875% per annum. Per the loan agreement, interest on advances was paid through December 1, 2018. Monthly principal and interest payments in equal monthly installments began December 1, 2018, with loan maturity occurring on November 1, 2023. During August 2019 Academy obtained an amendment to the loan agreement. This first amendment provided for the deferral of monthly payments between May 1, 2019 and October 1, 2019. The principal balance was adjusted to capitalize accrued interest during the deferral period totaling $5,218. Monthly payments have been increased to keep the loan expiration date at November 1, 2023. Principal payments during fiscal year 2020 totaled $22,817 and interest expense totaled $10,238. As of June 30, 2020, the outstanding principal balance is $162,199. Interest payable totaling $794 has been recorded as a current liability as of June 30, 2020. Future principal and interest due on the outstanding loan payable as of June 30, 2020 is as follows:

Year	Principal	Interest	Total
2021	$44,160	$8,352	$52,512
2022	46,825	5,687	52,512
2023	49,651	2,861	52,512
2024	21,563	317	21,880
Total	$162,199	$17,217	$179,416

On July 8, 2019, Academy secured a short term $12,000 (twelve thousand dollar) loan for cash flow purposes from an individual who volunteered at Academy at the loan commencement date. The individual subsequently became a salaried employee effective January 1, 2020. The loan was for a term of eighteen months with interest at 0.50% per annum. At the recommendation of the Treasurer for Academy, the loan was substantially paid off on December 17, 2019 with a final principal payment of $323 on April 15, 2020. Principal payments during fiscal year 2020 totaled $12,000 and interest expense totaled $18.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on March 27, 2020 in response to COVID-19. The Paycheck Protection Program (PPP) was formed as part of the CARES Act. The PPP allows certain companies to apply for aid through forgivable loans. Academy entered into a note payable agreement with Huntington National Bank under PPP. The unsecured note has a principal amount of $77,750 maturing on May 4, 2022.

Academy believes that it has fulfilled all requirements for 100% forgiveness and will file a forgiveness application during fiscal year 2021.To the extent that Academy is not granted forgiveness, payments of up to $4,354 per month will commence for a period of eighteen months at an interest rate of 1.00% per annum. Interest payable totaling $115 has been recorded as a current liability as of June 30, 2020. Future principal and interest due on the outstanding loan payable as of June 30, 2020 is as follows:

Year	Principal	Interest	Total
2021	$30,098	$767	$30,865
2022	47,652	239	47,891
Total	$77,750	$1,006	$78,756

V. Purchased Services

Purchased Services during fiscal year 2020 include the following:

Instruction	$670
Pupil Support Services	23,211
Staff Development & Support	3,156
Administrative	30,983
Occupancy Costs	112,906
Food Services	60,281
Student Activities	129
Total Purchased Services	$231,336

VI. Facility Lease

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

Year	Lease Payments
2021	$78,000
2022	81,900
2023	81,900
Total	$241,800

VII. Risk Management

1. Property and Liability Insurance

Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2020, Academy contracted with Maxum Indemnity for property and liability insurance and Indian Harbor Insurance Company for educator liability and school leaders' errors and omissions insurance.

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

2. Workers' Compensation

Academy makes premium payments to the Ohio Workers' Compensation System for employee injury coverage. There have been no claims filed by Academy employees with the Ohio Workers' Compensation System between July 1, 2019 and June 30, 2020.

3. Employee Medical, Dental and Vision Benefits

Academy provides medical, dental and vision insurance benefits to all full-time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits paid by Academy for the fiscal year is $25,259.

VIII. Defined Benefit Pension Plans

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

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

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

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

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

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

Plan Description – 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, will be included in this plan.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, 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 2020.

Academy's contractually required contribution to SERS was $9,009 for fiscal year 2020 all of which was paid as of June 30, 2020.

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

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

Academy's contractually required contribution to STRS was $41,340 for fiscal year 2020 all of which was paid as of June 30, 2020.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. Academy's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00113020%	0.00197078%	
Prior Measurement Date	0.00000000%	0.00000000%	
Change in Proportionate Share	0.00113020%	0.00197078%	
Proportionate Share of the Net Pension Liability	$ 67,622	$ 435,826	$ 503,448
Pension Expense	$ 35,215	$ 136,350	$ 171,565

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

On June 30, 2020, Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and			
Actual Experience	$ 1,714	$ 3,548	$ 5,262
Changes of Assumptions	0	51,196	51,196
Changes in Proportionate Share and			
Difference between School Contributions			
And Proportionate Share of Contributions	36,794	300,315	337,109
School Contributions Subsequent to the			
Measurement Date	9,009	41,340	50,349
Total Deferred Outflows of Resources	$ 47,517	$ 396,399	$ 443,916
Deferred Inflows of Resources			
Differences Between Expected and			
Actual Experience	$ 0	$ 1,888	$ 1,888
Net Difference Between Projected and			
Actual Earnings on Pension Plan Investments	867	21,302	22,169
Total Deferred Inflows of Resources	$ 867	$ 23,190	$ 24,057

$50,349 reported as deferred outflows of resources related to pension resulting from School contributions after the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. 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:			
2021	$ 26,604	$ 101,950	$ 128,554
2022	10,602	80,216	90,818
2023	(58)	72,041	71,983
2024	493	77,662	78,155
Total	$ 37,641	$ 331,869	$ 369,510

5. Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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, 2019, are presented below:

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

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline 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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	$ 94,762	$ 67,622	$ 44,861

6. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

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

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

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents Academy's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	$ 636,911	$ 435,826	$ 265,597

IX. Defined Benefit OPEB Plans

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

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

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

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

For the fiscal year ended June 30, 2020, 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 2020, this amount was $19,600. 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 2020, Academy's surcharge obligation was $212.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org 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, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. Academy's proportion of the net OPEB liability (asset) was based on Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00116200%	0.00197100%	
Prior Measurement Date	0.00000000%	0.00000000%	
Change in Proportionate Share	0.00116200%	0.00197100%	
Proportionate Share of the Net OPEB Liability (Asset)	$ 29,227	$ (32,644)	
OPEB Expense	$ 6,289	$ (8,142)	$ (1,853)

On June 30, 2020, Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$ 429	$ 2,959	$ 3,388
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	73	0	73
Changes of Assumptions	2,134	687	2,821
Changes in Proportionate Share and Difference between School Contributions And Proportionate Share of Contributions	29,282	11,355	40,637
School Contributions Subsequent to the Measurement Date	212	0	212
Total Deferred Outflows of Resources	$ 32,130	$ 15,001	$ 47,131
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$ 6,420	$ 1,660	$ 8,080
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	2,050	2,050
Changes of Assumptions	1,638	35,793	37,431
Total Deferred Inflows of Resources	$ 8,058	$ 39,503	$ 47,561

$212 reported as deferred outflows of resources related to OPEB resulting from School contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ 3,663	$ (5,942)	$ (2,279)
2022	4,481	(5,941)	(1,460)
2023	4,502	(5,121)	(619)
2024	4,499	(4,834)	(335)
2025	4,529	(4,653)	(124)
Thereafter	2,186	1,989	4,175
Total	$ 23,860	$ (24,502)	$ (642)

4. Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability on June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 35,470	$ 29,227	$ 24,254

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	$ 23,413	$ 29,227	$ 36,929

5. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation is presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	Initial	Ultimate
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 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, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claim 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

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. 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 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (27,856)	$ (32,644)	$ (36,671)

	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	$ (37,017)	$ (32,644)	$ (27,289)

X. Contingencies

1. Grants

Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Academy on June 30, 2020.

2. School Foundation

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform an FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on Academy for fiscal year 2020.

As of the date of this report, ODE adjustments for fiscal year 2020 have been finalized. FTE adjustments on the fiscal year 2020 financial statements for Academy were immaterial.

XI. Sponsorship Agreement

Academy entered into an agreement Buckeye Community Hope Foundation, to provide sponsorship and oversight services as required by law. The agreement effective July 1, 2018 was superseded with a new five-year agreement commencing July 1, 2019 and continues until June 30, 2024. Sponsorship fees were calculated as 3.00% of the Fiscal Year 2020 Foundation payments received by Academy, from the State of Ohio. The total amount due from Academy for fiscal year 2020 was $21,244 all of which was paid prior to June 30, 2020.

XII. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Academy. Academy's investment portfolio and the investments of the pension and other employee benefit plans in which Academy participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

XIII. Subsequent Events

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

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

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

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SMART Academy
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of Academy's Proportionate Share of the Net Pension Liability
Current Fiscal Year (1)

	2020
School Employees Retirement System (SERS)	
School's Proportion of the Net Pension Liability	0.00113020%
School's Proportionate Share of the Net Pension Liability	$ 67,622
School's Covered Payroll	$ 38,770
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%
State Teachers Retirement System (STRS)	
School's Proportion of the Net Pension Liability	0.00197078%
School's Proportionate Share of the Net Pension Liability	$ 435,826
School's Covered Payroll	$ 231,379
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%

(1) Information prior to 2020 is not available.

See notes to required supplementary information.

SMART Academy
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of Academy's Contributions - Pension
Last Two Fiscal Years (1)

	2020	2019
School Employees Retirement System (SERS)		
Contractually Required Contribution	$ 9,009	5,234
Contributions in Relation to the Contractually Required Contribution	(9,009)	(5,234)
Contribution Deficiency (Excess)	$ 0	$ 0
School's Covered Payroll	$ 64,350	$ 38,770
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%
State Teachers Retirement System (STRS)		
Contractually Required Contribution	$ 41,340	$ 32,393
Contributions in Relation to the Contractually Required Contribution	(41,340)	(32,393)
Contribution Deficiency (Excess)	$ 0	$ 0
School's Covered Payroll	$ 295,286	$ 231,379
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%

(1) Information prior to 2019 is not available.

See notes to required supplementary information.

SMART Academy
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of Academy's Proportionate Share of the Net OPEB Liability (Asset)
Current Fiscal Year (1)

		2020
School Employees Retirement System (SERS)		
School's Proportion of the Net OPEB Liability		0.001162%
School's Proportionate Share of the Net OPEB Liability	$	29,227
School's Covered Payroll	$	38,770
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll		75.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		15.57%
State Teachers Retirement System (STRS)		
School's Proportion of the Net OPEB Liability (Asset)		0.001971%
School's Proportionate Share of the Net OPEB Liability (Asset)	$	(32,644)
School's Covered Payroll	$	231,379
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll		-14.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		174.70%

(1) Information prior to 2020 is not available.

See accompanying notes to the required supplementary information.

SMART Academy
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of Academy's Contributions - OPEB
Last Two Fiscal Years (2)

	2020	2019
School Employees Retirement System (SERS)		
Contractually Required Contribution (1)	$ 212	$ 922
Contributions in Relation to the Contractually Required Contribution	(212)	(922)
Contribution Deficiency (Excess)	$ 0	$ 0
School's Covered Payroll	$ 64,350	$ 38,770
OPEB Contributions as a Percentage of Covered Payroll (1)	0.33%	2.38%
State Teachers Retirement System (STRS)		
Contractually Required Contribution	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0
Contribution Deficiency (Excess)	$ 0	$ 0
School's Covered Payroll	$ 295,286	$ 231,379
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%

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

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

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

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms – SERS

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

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Liability

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

Pre-Medicare

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

Medicare

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

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Benefit Terms – STRS

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

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

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

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OHIO AUDITOR OF STATE
KEITH FABER

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the SMART Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 22, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2020-001 to be a significant deficiency.

Compliance and Other Matters

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

Academy*'s Response to Finding*

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Academy's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2021

SCHEDULE OF FINDINGS
JUNE 30, 2020

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

FINDING NUMBER 2020-001

Significant Deficiency - Cash Management

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and Superintendent are responsible for reviewing the reconciliations and related support.

Lack of timely and accurate bank to book cash reconciliations and reviews of bank to accounting system cash totals led to the following errors:

- Sixteen overdraft fees totaling $576 were charged to the Academy.
- Three voided checks totaling $4,672 were improperly included on the outstanding check list and reported on the June 30, 2020 reconciliation.
- Two checks totaling $1,566 were reported on the outstanding check list and were more than six months old.

The Treasurer should record all transactions and variances identified during the monthly bank to book cash reconciliations should be investigated, documented and corrected. Furthermore, all checks outstanding for more than six months be removed from the outstanding check list and reported as unclaimed monies.

Official's Response:

We agree with this finding as presented.

During the period prior to this audit report the Academy received Treasurer services from two different individuals. Effective July 1, 2019 Academy contracted with a local Treasurer for financial services. All bank reconciliations have been performed timely each month since the beginning of July 2019. The current Treasurer routinely reviews bank account activity each month through online banking access.

Monthly finance reports are prepared and provided to both the board members and the Academy's sponsor. These finance reports include monthly copies of the Bank Statement, Bank Reconciliation reports generated through QuickBooks and a Cash Register generated through QuickBooks. Any issues or concerns are communicated through these reports

In regards to the specific errors cited in this schedule our response is as follows:

- The overdrafts all occurred during the first three months of the current audit period. All of the fees can be directly traced to the bank account being in a deficit position on June 30, 2019 and checks written prior to June 30 2019 that were not recorded by the previous Treasurer. No overdraft fees have been incurred by Academy since early September 2019.

- The three checks included in the June 30, 2020 bank reconciliation outstanding check list were voided after review, which included discussions with the appropriate vendors, and determination that they needed to be voided. This occurred in July 2020 prior to final close of the books for the year. An adjusting journal entry was prepared to record the transactions in the appropriate period.

- The two checks that have been outstanding in excess of six months will be reviewed to determine if they were properly written and if necessary, will be reported to the Ohio Department of Commerce Division of Unclaimed Funds.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Significant Deficiency - Cash Management	Partially Corrected	All of the errors identified in this Finding were resolved during FY 2020. All bank reconciliations have been performed timely effective July 2019. The Treasurer routinely reviews bank account activity monthly through online banking access and corrects any issues identified. Monthly finance reports, which include Bank Statements, Bank Reconciliations, and a Cash Register, are prepared and provided to Board members and the Academy's sponsor. Any issues or concerns are communicated through these reports. Specific errors identified in FY 2019 have been resolved as follows: 1) Overdraft fees incurred during the first three months of FY 2020 can be directly traced to the bank account being in a deficit position on June 30, 2019 and to checks written prior to June 30 2019 that were not recorded by the previous Treasurer. No overdraft fees have been incurred by Academy since early September 2019. 2) All disbursements were recorded in the proper period during FY 2020. 3) All disbursements were recorded in proper sequence during FY 2020.

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

Ohio Rev. Code § 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below solely to assist the Board in evaluating whether SMART Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code § 3313.666 and Ohio Rev. Code § 3314.03(a)(11)(d) for the period ended June 30, 2020. Management is responsible for complying with this requirement.

The Board has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of providing assistance in the evaluation of whether the School has adopted an anti-harassment policy in accordance with Ohio Rev. Code § 3313.666. No other party acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We inspected the Board minutes and observed that the Board adopted an anti-harassment policy at its meeting on July 17, 2018.

Ohio Rev. Code § 3313.666(B) and Ohio Rev. Code § 3314.03(a)(11)(d) specifies the following requirements must be included in anti-harassment policies. We inspected the policy for proper inclusion of these requirements:

1. A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;

2. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code § 3313.666. The act defines that term as "any intentional written, verbal, electronic or physical act that a student has exhibited toward another particular student more than once and the behavior both (1) causes mental or physical harm to the other student, (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student," and violence within a dating relationship.;

3. A procedure for reporting prohibited incidents;

4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

5. A requirement that the custodial parent or guardian of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

6. A procedure for documenting any prohibited incident that is reported;

7. A procedure for responding to and investigating any reported incident;

8. A strategy for protecting a victim from new or additional harassment, intimidation, or bullying, and from retaliation following a report, including a means by which a person may report an incident anonymously;

9. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

10. A statement prohibiting students from deliberately making false reports of harassment, intimidation, or bullying and a disciplinary procedure for any student responsible for deliberately making a false report of that nature;

11. A requirement that the administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were engaged by the School to perform this agreed-upon procedure engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the School and to meet our ethical responsibilities, in accordance with the ethical requirements established by the Comptroller General of the United States' *Government Auditing Standards* related to our agreed upon procedures engagement.

Keith Faber
Auditor of State
Columbus, Ohio

November 22, 2021

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OHIO AUDITOR OF STATE
KEITH FABER

SMART ACADEMY

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 12/7/2021

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