

***HORIZON SCIENCE ACADEMY  
YOUNGSTOWN***

***MAHONING COUNTY, OHIO***

**Audit Report**

**For the Year Ended June 30, 2018**





# OHIO AUDITOR OF STATE KEITH FABER



Board of Directors  
Horizon Science Academy Youngstown  
3403 Southern Blvd.  
Youngstown, Ohio 44507

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Youngstown, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Horizon Science Academy Youngstown is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 1, 2019

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**HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2018**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Horizon Science Academy Youngstown  
Mahoning County  
3403 Southern Blvd.  
Youngstown, Ohio 44507

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Horizon Science Academy Youngstown, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Horizon Science Academy Youngstown, Mahoning County, Ohio, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 5 to the financial statements, during the year ended June 30, 2018, the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 that the management's discussion and analysis, and schedules of net pension liabilities, other postemployment liabilities, and pension and other postemployment contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
December 14, 2018

The discussion and analysis of Horizon Science Academy Youngstown's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2018. Readers should also review the financial statements and notes to enhance their understanding of the Academy's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- Total assets were \$2,636,311.
- Total liabilities were \$5,148,866.
- Total net position after adjustments for postemployment benefits other than pension (OPEB) increased by \$924,242.

### **Using this Financial Report**

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

### **Reporting the Academy as a Whole**

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as reported in the Statement of Net Position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position – as reported in the Statement of Revenues, Expenses and Change in Net Position – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position report the activities of the Academy, which encompass all the Academy's services, including instruction, supporting services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

Table 1 provides a comparison of net position as of June 30, 2018 with net position as of June 30, 2017.

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b><u>Assets</u></b>                         |                      |                      |
| Current and Other Assets                     | \$986,155            | \$1,052,790          |
| Capital Assets, Net                          | 1,650,156            | 1,581,636            |
| <b>Total Assets</b>                          | <b>2,636,311</b>     | <b>2,634,426</b>     |
| <b><u>Deferred Outflows of Resources</u></b> |                      |                      |
|  | <b>2,011,945</b>     | <b>1,251,939</b>     |
| <b><u>Liabilities</u></b>                    |                      |                      |
| Current Liabilities                          | 197,439              | 215,393              |
| Non-Current Liabilities                      | 4,951,427            | 5,267,802            |
| <b>Total Liabilities</b>                     | <b>5,148,866</b>     | <b>5,483,195</b>     |
| <b><u>Deferred Inflows of Resources</u></b>  |                      |                      |
|  | <b>506,717</b>       | <b>334,739</b>       |
| <b><u>Net Position</u></b>                   |                      |                      |
| Invested in Capital Assets                   | 1,641,060            | 1,581,636            |
| Unrestricted                                 | (2,648,387)          | (3,513,205)          |
| <b>Total Net Position</b>                    | <b>(\$1,007,327)</b> | <b>(\$1,931,569)</b> |

Total current assets decreased by \$66,635. This decrease is due to decreases in cash and cash equivalents of \$239,545. Capital assets increased by \$68,520 due to current year additions exceeding depreciation. Total liabilities decreased \$334,329 primarily due to a decrease in the net pension liability of \$1,124,089.

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the Academy’s statements prepared on an accrual basis of accounting 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, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$1,931,569) to (\$2,888,001).

In conclusion, the application of GASB Statement No. 68/75 requires the reader to perform additional calculations to determine the Academy’s total net position at June 30, 2018 without the implementation of GASB Statement No. 68/75. This is an important exercise, as the State Pension Systems (STRS & SERS) collect, hold and distributes pensions to our employees, not the Academy. These calculations are as follows:

|  |                           |
|--|---------------------------|
| <b>Table 1:</b> Total Net Position (with GASB 68/75) | (\$1,007,327)             |
| GASB 68/75 Calculations:                             |                           |
| Add Deferred Inflows related to Pension/OPEB         | 506,717                   |
| Add Net Pension Liability/OPEB                       | 4,942,331                 |
| Less Deferred Outflows related to Pension/OPEB       | <u>(2,011,945)</u>        |
| Total Net Position (without GASB 68/75)              | <u><b>\$2,429,776</b></u> |

Table 2 shows the changes in net position for the fiscal years 2018 and 2017.

**Table 2**  
**Horizon Science Academy Youngstown**  
 Statement of Revenues, Expenses and Change in Net Position  
 For the Fiscal Year Ended June 30, 2018

| <b><u>OPERATING REVENUES:</u></b>                | June 30, 2018      | June 30, 2017        |
|--|--------------------|----------------------|
| Foundation payments                              | \$3,185,450        | \$3,221,188          |
| Classroom fees                                   | 255                | 68                   |
| Extracurricular activities                       | 17,833             | 10,934               |
| Other revenue                                    | 134,402            | 75,820               |
| <b>Total operating revenues</b>                  | <b>3,337,940</b>   | <b>3,308,010</b>     |
| <b><u>OPERATING EXPENSES:</u></b>                |                    |                      |
| Salaries   | 2,121,538          | 1,984,092            |
| Fringe benefits                                  | (1,319,138)        | 525,756              |
| Purchased services                               | 1,111,390          | 1,103,474            |
| Materials and supplies                           | 184,141            | 175,900              |
| Depreciation                                     | 197,044            | 168,235              |
| Miscellaneous                                    | 127,119            | 138,935              |
| <b>Total operating expenses</b>                  | <b>2,422,094</b>   | <b>4,096,392</b>     |
| <b>Operating loss</b>                            | <b>915,846</b>     | <b>(788,382)</b>     |
| <b><u>NON-OPERATING REVENUES (EXPENSES):</u></b> |                    |                      |
| Restricted grants in aid - federal               | 860,861            | 935,728              |
| State and other grants                           | 103,967            | 108,112              |
| Interest expense                                 | 0                  | (7,578)              |
| <b>Total non-operating revenues (expenses)</b>   | <b>964,828</b>     | <b>1,036,262</b>     |
| Change in net position                           | 1,880,674          | 247,880              |
| Net position, beginning of year - restated       | (2,888,001)        | (2,179,449)          |
| <b>Net position, end of year</b>                 | <b>(1,007,327)</b> | <b>(\$1,931,569)</b> |

Foundation support decreased \$35,738 primarily due to a decrease in enrollment. Federal grants decreased in the amount of \$74,867. Salaries and benefits decreased \$1,707,448 due to the recognition of pension/OPEB expense resulting from an increase in the net pension/OPEB liability and related deferred inflows and deferred outflows related to pension/OPEB. Purchased services increased \$7,916.

Foundation support is the primary support of the Academy, comprising 95% of operating revenue and 74% of total revenues. The Academy also received a significant portion of federal grants, which represent 20% of total revenue. Salaries and benefits comprise a large portion of operating expenses, representing 33% of total operating expenses because of GASB 68 and GASB 75 adjustment. Purchased services also represent a large portion of operating expenses, or 46%. Net position increased \$1,880,674 resulting from expenses in excess of revenues.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$3,868 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$166,757. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

|   |                      |
|---|----------------------|
| Total 2018 program expenses under GASB 75           | \$2,422,094          |
| Negative OPEB expense under GASB 75                 | 166,757              |
| 2018 contractually required contributions           | 5,898                |
| Adjusted 2018 program expenses                      | 2,594,749            |
| Total 2017 program expenses under GASB 45           | 4,096,392            |
| Decrease in program expenses<br>not related to OPEB | <b>(\$1,501,643)</b> |

Expenses decreased \$1,674,298 or 47%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On the accrual basis, the Academy reported (\$1,406,793) in pension expense and (\$166,757) in OPEB expense mainly due to these benefit changes. For fiscal year 2018, the Academy has reported a negative fringe benefits expense resulting from the negative pension and OPEB expenses which are components of that expense category.

### Capital Assets

At the end of fiscal year 2018 the Academy had \$2,241,583 invested in furniture, equipment, and vehicles, (\$662,932 net of accumulated depreciation). Table 3 shows activity for fiscal year 2018:

**Table 3**  
**Capital Assets**

|  | Balance<br>July 1, 2017 | Additions        | Deletions        | Ending<br>June 30, 2018 |
|--|-------------------------|------------------|------------------|-------------------------|
| <b>Capital Assets, Not Being Depreciated:</b>  |                         |                  |                  |                         |
| Land   | \$71,505                | \$0              | \$0              | \$71,505                |
| <b>Capital Assets, Being Depreciated:</b>      |                         |                  |                  |                         |
| Building                                       | 957,995                 | 0                | 0                | 957,995                 |
| Improvements                                   | 627,507                 | 181,693          | (1,260)          | 807,940                 |
| Equipment-Instructional                        | 456,119                 | 70,227           | (98,163)         | 428,183                 |
| Equipment-Office                               | 33,490                  | 0                | (1,669)          | 31,821                  |
| School Vehicle                                 | 2,000                   | 13,644           | 0                | 15,644                  |
| <b>Total Capital Assets, Being Depreciated</b> | <b>2,077,111</b>        | <b>265,564</b>   | <b>(101,092)</b> | <b>2,241,583</b>        |
| <b>Total Capital Assets</b>                    | <b>2,148,616</b>        | <b>265,564</b>   | <b>(101,092)</b> | <b>2,313,088</b>        |
| <b>Less: Accumulated Depreciation</b>          |                         |                  |                  |                         |
| Building                                       | (137,045)               | (33,301)         | 0                | (170,346)               |
| Improvements                                   | (242,930)               | (89,997)         | 1,260            | (331,667)               |
| Equipment-Instructional                        | (173,893)               | (61,082)         | 98,163           | (136,812)               |
| Equipment-Office                               | (11,912)                | (7,716)          | 1,669            | (17,959)                |
| School Vehicle                                 | (1,200)                 | (4,948)          | 0                | (6,148)                 |
| <b>Total Accumulated Depreciation</b>          | <b>(566,980)</b>        | <b>(197,044)</b> | <b>101,092</b>   | <b>(662,932)</b>        |
| <b>Net Capital Assets</b>                      | <b>\$1,581,636</b>      | <b>\$68,520</b>  | <b>\$0</b>       | <b>\$1,650,156</b>      |

For more information on capital assets see Note 4 to the basic financial statements.

### **Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ramazan Celep, Treasurer, Horizon Science Academy of Youngstown, 3403 Southern Blvd. Youngstown, OH 44507.

**Horizon Science Academy Youngstown**  
Statement of Net Position  
June 30, 2018

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**ASSETS:**

*Current Assets:*

|                              |           |
|------------------------------|-----------|
| Cash and cash equivalents    | \$794,410 |
| Accounts receivable          | 23,955    |
| Loan-Note receivable         | 100,000   |
| Intergovernmental receivable | 33,990    |
| Other prepaid items          | 33,800    |
| Total current assets         | 986,155   |

*Noncurrent Assets:*

|                                 |           |
|---------------------------------|-----------|
| Non-depreciable capital assets  | 71,505    |
| Depreciable capital assets, net | 1,578,651 |
| Total Noncurrent Assets         | 1,650,156 |

**Total Assets** 2,636,311

**DEFERRED OUTFLOWS OF RESOURCES:**

*Pensions:*

|                                      |           |
|--------------------------------------|-----------|
| Pension - STRS                       | 1,806,311 |
| Pension - SERS                       | 89,766    |
| OPEB - STRS                          | 109,970   |
| OPEB - SERS                          | 5,898     |
| Total Deferred Outflows of Resources | 2,011,945 |

**LIABILITIES:**

*Current Liabilities:*

|                                    |         |
|------------------------------------|---------|
| Accrued wages and benefits payable | 197,439 |
| Total current liabilities          | 197,439 |

*Noncurrent Liabilities:*

|   |           |
|---|-----------|
| Capital Lease due in one year           | 4,548     |
| Capital Lease due in more than one year | 4,548     |
| Net pension liability                   | 4,143,713 |
| Net OPEB liability                      | 798,618   |
| Total noncurrent liabilities            | 4,951,427 |

**Total Liabilities** 5,148,866

**DEFERRED INFLOWS OF RESOURCES:**

*Pensions:*

|                                     |         |
|-------------------------------------|---------|
| Pension - STRS                      | 376,784 |
| Pension - SERS                      | 28,906  |
| OPEB - STRS                         | 75,766  |
| OPEB - SERS                         | 25,261  |
| Total Deferred Inflows of Resources | 506,717 |

**NET POSITION:**

|                                  |               |
|----------------------------------|---------------|
| Net investment in capital assets | 1,641,060     |
| Unrestricted                     | (2,648,387)   |
| Total Net Position               | (\$1,007,327) |

See accompanying notes to the basic financial statements.



**Horizon Science Academy Youngstown**  
Statement of Revenues, Expenses and Change in Net Position  
For the Fiscal Year Ended June 30, 2018

**OPERATING REVENUES:**

|                                 |                  |
|---------------------------------|------------------|
| Foundation payments             | \$3,185,450      |
| Classroom fees                  | 255              |
| Extracurricular activities      | 17,833           |
| Other revenue                   | 134,402          |
| <b>Total operating revenues</b> | <b>3,337,940</b> |

**OPERATING EXPENSES:**

|                                 |                  |
|---------------------------------|------------------|
| Salaries                        | 2,121,538        |
| Fringe benefits                 | (1,319,138)      |
| Purchased services              | 1,111,390        |
| Materials and supplies          | 184,141          |
| Depreciation                    | 197,044          |
| Miscellaneous                   | 127,119          |
| <b>Total operating expenses</b> | <b>2,422,094</b> |

**Operating Gain/(loss) 915,846**

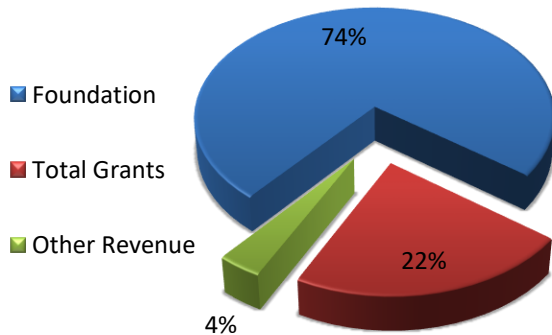
**NON-OPERATING REVENUES:**

|                                     |                |
|-------------------------------------|----------------|
| Restricted grants in aid - federal  | 860,861        |
| State and other grants              | 103,967        |
| <b>Total non-operating revenues</b> | <b>964,828</b> |

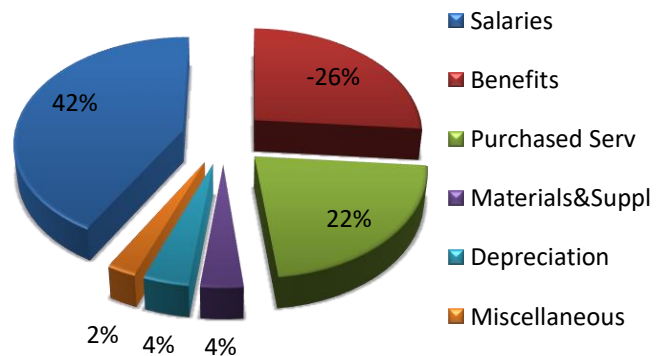
|   |                      |
|---|----------------------|
| Change in net position                    | 1,880,674            |
| Net position, beginning of year, restated | (2,888,001)          |
| <b>Net position, end of year</b>          | <b>(\$1,007,327)</b> |

See accompanying notes to the basic financial statements.

**Revenues**



**Expenses**



**Horizon Science Academy Youngstown**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

|  |                         |
|--|-------------------------|
| Cash received from State of Ohio                     | \$3,161,657             |
| Cash received from other operating revenues          | 128,535                 |
| Cash payments to suppliers for goods and services    | (1,341,492)             |
| Cash payments to employees for services and benefits | (2,669,486)             |
| Other cash payments                                  | <u>(127,119)</u>        |
| <b>Net cash used for operating activities</b>        | <b><u>(847,905)</u></b> |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

|   |                       |
|---|-----------------------|
| Federal grants received                                     | 860,861               |
| State and other grants received                             | 103,967               |
| Notes receivable issued                                     | <u>(100,000)</u>      |
| <b>Net cash provided by noncapital financing activities</b> | <b><u>864,828</u></b> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

|   |                                |
|---|--------------------------------|
| Principal paid on capital lease payable                           | (4,548)                        |
| Payment for capital acquisitions                                  | <u>(251,920)</u>               |
| <b>Net cash used for capital and related financing activities</b> | <b><u>(256,468)</u></b>        |
| Net decrease in cash and cash equivalents                         | (239,545)                      |
| Cash and cash equivalents at beginning of year                    | <u>1,033,955</u>               |
| <b>Cash and cash equivalents at end of year</b>                   | <b><u><u>\$794,410</u></u></b> |

**RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES**

|                  |           |
|------------------|-----------|
| Operating Income | \$915,846 |
|------------------|-----------|

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:**

|  |                                |
|--|--------------------------------|
| Depreciation                                   | 197,044                        |
| <b>Changes in Assets and Liabilities:</b>      |                                |
| Increase in other prepaid items                | (33,800)                       |
| Decrease in payroll liabilities                | (4,423)                        |
| Increase in accounts receivable                | (23,955)                       |
| Decrease in accounts payable                   | (12,161)                       |
| Increase in intergovernmental receivable       | (15,155)                       |
| Increase in accrued wages and benefits payable | 7,268                          |
| Decrease in intergovernmental payable          | (8,638)                        |
| Increase in deferred inflows of resources      | 171,978                        |
| Increase in deferred outflows of resources     | (760,006)                      |
| Decrease in net pension liability              | (1,124,089)                    |
| Decrease in OPEB liabilities                   | <u>(157,814)</u>               |
| <b>Total adjustments</b>                       | <b><u>(1,763,751)</u></b>      |
| <b>Net cash used for operating activities</b>  | <b><u><u>(847,905)</u></u></b> |

See accompanying notes to the basic financial statements.

Non-cash Transaction:

During the fiscal year, the School entered into a capital lease transaction totaling \$13,644.

## **1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Horizon Science Academy Youngstown, (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through eight in Youngstown. The Academy, which is part of the State's education program, is independent of any school and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization 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 Academy's tax-exempt status.

The Academy was approved for operation under contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing June 30, 2010. In 2015, the original contract was extended until June 30, 2020.

The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which includes, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. In fiscal year 2018, the Academy employed 55 personnel for up to 398 students.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses and Change in Net Position; and a Statement of Cash Flows.

The Academy uses enterprise accounting to report its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

### **B. 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 and all liabilities associated with the operation of the Academy are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Change in Net Positions present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **B. Measurement Focus and Basis of Accounting (Continued)**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants, entitlements and donations are recognized in the period in which all eligibility requirements have been satisfied. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. Expenses are recognized at the time they are incurred.

### **C. Budgetary Process**

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

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the Academy to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

### **D. Cash**

To improve cash management, all cash received by the Academy is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as “Cash and cash equivalents” in the Statement of Net Position. For the purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, any investment with an original maturity date less than 90 days is considered a cash equivalent and any investment with a maturity date greater than 90 days is considered an investment. The Academy did not have any investments during fiscal year 2018.

### **E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****E. Capital Assets and Depreciation (Continued)**

|  | <u>Useful Life</u> |
|--|--------------------|
| Buildings                                | 40 years           |
| Improvements                             | 5 to 10 years      |
| Heavy Duty Office or Classroom Furniture | 5 to 10 years      |
| Computers and Other Electronic Equipment | 3 to 5 years       |
| Vehicles                                 | 3 to 10 years      |

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, Special Education Program, and Federal CCIP Program. Revenues received from the State Foundation Program are recognized as operating revenues whereas revenues from the Federal CCIP Program, Special Education Program and other State Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

**G. Operating Revenues and Expenses**

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

**H. Compensated Absences**

The Academy's policy indicates that all full-time employees are entitled to eight days of sick/personal leave in a school year. Also, Full time employees who have worked for the Academy for a total of 200 or more days during the contract year will be allowed nine days of paid sick or personal leave. Full time employees who have worked for the Academy 210 or more days during the contract year will be allowed ten days of paid sick or personal leave. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year, and therefore, are not recorded as a liability. The Academy compensates its employees \$125 per day for each unused sick/personal day at the end of the year.

**I. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. At the end of the fiscal ended June 30, 2018, the Academy did not have any restricted net position.

**J. Estimates**

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **K. Deferred Outflows of Resources and Deferred Inflows of Resources**

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

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the statement of net position.

### **L. Pensions/Other Postemployment Benefits (OPEB)**

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

### **M. Prepayments**

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

## **3. DEPOSITS**

As of June 30, 2018, the Academy's Fifth Third bank balance of \$871,781 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy has no policy regarding custodial credit risk other than state statute.

#### 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

| <b>Capital Assets</b>                          |                     |                  |                  |                      |
|--|---------------------|------------------|------------------|----------------------|
|  | <b>Balance</b>      |                  |                  | <b>Ending</b>        |
|  | <b>July 1, 2017</b> | <b>Additions</b> | <b>Deletions</b> | <b>June 30, 2018</b> |
| <b>Capital Assets, Not Being Depreciated:</b>  |                     |                  |                  |                      |
| Land   | \$71,505            | \$0              | \$0              | \$71,505             |
| <b>Capital Assets, Being Depreciated:</b>      |                     |                  |                  |                      |
| Building                                       | 957,995             | 0                | 0                | 957,995              |
| Improvements                                   | 627,507             | 181,693          | (1,260)          | 807,940              |
| Equipment-Instructional                        | 456,119             | 70,227           | (98,163)         | 428,183              |
| Equipment-Office                               | 33,490              | 0                | (1,669)          | 31,821               |
| School Vehicle                                 | 2,000               | 13,644           | 0                | 15,644               |
| <b>Total Capital Assets, Being Depreciated</b> | <b>2,077,111</b>    | <b>265,564</b>   | <b>(101,092)</b> | <b>2,241,583</b>     |
| <b>Total Capital Assets</b>                    | <b>2,148,616</b>    | <b>265,564</b>   | <b>(101,092)</b> | <b>2,313,088</b>     |
| <b>Less: Accumulated Depreciation</b>          |                     |                  |                  |                      |
| Building                                       | (137,045)           | (33,301)         | 0                | (170,346)            |
| Improvements                                   | (242,930)           | (89,997)         | 1,260            | (331,667)            |
| Equipment-Instructional                        | (173,893)           | (61,082)         | 98,163           | (136,812)            |
| Equipment-Office                               | (11,912)            | (7,716)          | 1,669            | (17,959)             |
| School Vehicle                                 | (1,200)             | (4,948)          | 0                | (6,148)              |
| <b>Total Accumulated Depreciation</b>          | <b>(566,980)</b>    | <b>(197,044)</b> | <b>101,092</b>   | <b>(662,932)</b>     |
| <b>Net Capital Assets</b>                      | <b>\$1,581,636</b>  | <b>\$68,520</b>  | <b>\$0</b>       | <b>\$1,650,156</b>   |

#### 5. ACCOUNTABILITY AND COMPLIANCE

##### Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the Academy has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the Academy's beginning net position, the postemployment benefit plan disclosures, as presented in the basic financial statements, and added required supplementary information.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Academy.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Academy.

## 5. ACCOUNTABILITY AND COMPLIANCE (Continued)

### Change in Accounting Principles/Restatement of Net Position (Continued)

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Academy.

A net position restatement is required in order to implement GASB Statement No 75. The Net Position at July 1, 2017 has been restated as follows:

|   |                             |
|---|-----------------------------|
|   | <u>Amount</u>               |
| Net position as previously reported                       | (\$1,931,569)               |
| Deferred outflows-payments subsequent to measurement date | 3,868                       |
| Net OPEB liability  | <u>(960,300)</u>            |
| Restated net position at July 1, 2017                     | <u><b>(\$2,888,001)</b></u> |

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

## 6. LONG-TERM OBLIGATIONS

The Academy's long-term obligations during the year consist of the following:

|                             | Restated<br>Balance<br><u>June 30, 2017</u> | <u>Additions</u> | <u>Reductions</u>    | Balance<br><u>June 30, 2018</u> | Amounts<br>Due In<br><u>One Year</u> |
|-----------------------------|---|------------------|----------------------|---------------------------------|--------------------------------------|
| Capital Lease               | \$0   | \$13,644         | (\$4,548)            | \$9,096                         | \$4,548                              |
| Net Pension Liability       |   |                  |                      |                                 |                                      |
| STRS                        | 4,727,983                                   | 0                | (986,558)            | 3,741,425                       | 0                                    |
| SERS                        | 539,819                                     | 0                | (137,531)            | 402,288                         | 0                                    |
| Net OPEB Liability          |   |                  |                      |                                 | 0                                    |
| STRS                        | 755,396                                     | 0                | (140,893)            | 614,503                         | 0                                    |
| SERS                        | 204,904                                     | 0                | (20,789)             | 184,115                         | 0                                    |
| Total Net Pension Liability | <u>\$6,228,102</u>                          | <u>\$13,644</u>  | <u>(\$1,290,319)</u> | <u>\$4,951,427</u>              | <u>\$4,548</u>                       |

See Notes 7 and 8 for information on the Academy's net pension and OPEB liabilities.

## 7. DEFINED BENEFIT PENSION PLANS

### Net Pension Liability

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



**7. DEFINED BENEFIT PENSION PLANS (Continued)****Net Pension Liability (Continued)**

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

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

GASB 68 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 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 liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

**Plan Description – School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

|                              | Eligible to Retire on or before<br>August 1, 2017*                                    | Eligible to Retire after<br>August 1, 2017   |
|------------------------------|---|--|
| Full Benefits                | Any age with 30 years of service credit;<br>Any age 65 with 5 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit       | Age 62 with 10 years of service credit; or<br>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 thirty 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

## **7. DEFINED BENEFIT PENSION PLANS (Continued)**

### **Plan Description – School Employees Retirement System (SERS) (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$37,258 for fiscal year 2018. Of this amount, \$2,968 is reported as intergovernmental payable.

### **Plan Description - State Teachers Retirement System (STRS)**

Plan Description –Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - State Teachers Retirement System (STRS) (Continued)**

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 that 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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Academy’s contractually required contribution to STRS was \$253,225 for fiscal year 2018. Of this amount, \$19,846 is reported as intergovernmental payable.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | SERS                 | STRS               | Total         |
|--|----------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date   | 0.00737550%          | 0.01412476%        |               |
| Proportion of the net pension liability current measurement date | 0.00673310%          | 0.01574991%        |               |
| Change in proportionate share                                    | <u>(0.00064240%)</u> | <u>0.00162515%</u> |               |
| Proportionate share of NPL                                       | \$402,288            | \$3,741,425        | \$4,143,713   |
| Pension Expense  | (\$15,547)           | (\$1,391,246)      | (\$1,406,793) |

**7. DEFINED BENEFIT PENSION PLANS (Continued)****Net Pension Liability (Continued)**

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Deferred Outflows of Resources</b>   | <u>SERS</u>     | <u>STRS</u>        | <u>TOTAL</u>       |
|---|-----------------|--------------------|--------------------|
| Differences between expected and actual experience  | \$17,313        | \$144,478          | \$161,791          |
| Changes of assumptions  | 20,802          | 818,290            | 839,092            |
| Difference between Academy contributions and proportionate share of contributions/change in proportionate share | 14,393          | 590,318            | 604,711            |
| Academy contributions subsequent to the measurement date  | <u>37,258</u>   | <u>253,225</u>     | <u>290,483</u>     |
| Total Deferred Outflows of Resources  | <u>\$89,766</u> | <u>\$1,806,311</u> | <u>\$1,896,077</u> |
| <br>  |                 |                    |                    |
| <b>Deferred Inflows of Resources</b>  |                 |                    |                    |
| Differences between expected and actual experience  | \$0             | \$30,154           | \$30,154           |
| Net difference between projected and actual earnings on pension plan investments                                | 1,908           | 123,471            | 125,379            |
| Difference between Academy contributions and proportionate share of contributions/change in proportionate share | <u>26,998</u>   | <u>223,159</u>     | <u>250,157</u>     |
| Total Deferred Inflows of Resources   | <u>\$28,906</u> | <u>\$376,784</u>   | <u>\$405,690</u>   |

\$290,483 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| <u>Fiscal Year Ending June 30:</u> | <u>SERS</u>     | <u>STRS</u>        | <u>TOTAL</u>       |
|------------------------------------|-----------------|--------------------|--------------------|
| 2019                               | \$15,070        | \$221,785          | \$236,855          |
| 2020                               | 19,294          | 389,750            | 409,044            |
| 2021                               | (1,383)         | 404,011            | 402,628            |
| 2022                               | (9,378)         | 160,759            | 151,381            |
| 2023                               | <u>(1)</u>      | <u>(3)</u>         | <u>(4)</u>         |
| Total                              | <u>\$23,602</u> | <u>\$1,176,302</u> | <u>\$1,199,904</u> |

**Actuarial Assumptions - SERS**

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

## 7. DEFINED BENEFIT PENSION PLANS (Continued)

### Actuarial Assumptions - SERS (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.00 percent   |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent                                |
| COLA or Ad Hoc COLA                          | 2.50 percent   |
| Investment Rate of Return                    | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal (level percent of payroll)                  |

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the 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.

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

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

**7. DEFINED BENEFIT PENSION PLANS (Continued)****Actuarial Assumptions - SERS (Continued)**

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

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 1.00 %               | 0.50 %                                    |
| US Stocks              | 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 total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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 pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

|   | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| Academy's proportionate share<br>of the net pension liability | \$558,271              | \$402,288                           | \$271,620              |

**7. DEFINED BENEFIT PENSION PLANS (Continued)****Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

|                                      | July 1, 2017   | July 1, 2016   |
|--------------------------------------|--|--|
| Inflation                            | 2.50 percent   | 2.75 percent   |
| Projected Salary Increases           | 12.50 percent at age 20 to<br>2.50 percent at age 65             | 12.25 percent at age 20 to<br>2.75 percent at age 70   |
| Investment Rate of Return            | 7.45 percent, net of investment<br>expenses, including inflation | 7.75 percent, net of investment<br>expenses, including inflation   |
| Payroll Increases                    | 3 percent  | 3.5 percent  |
| Cost-of-Living Adjustments<br>(COLA) | 0.0 percent, effective July 1, 2017                              | 2 percent simple applied as follows:<br>for members retiring before<br>August 1, 2013, 2 percent per year;<br>for members retiring August 1, 2013,<br>or later, 2 percent COLA commences<br>on fifth anniversary of retirement date. |

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - STRS (Continued)**

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| Academy's proportionate share<br>of the net pension liability | \$5,363,205            | \$3,741,425                         | \$2,375,318            |

**8. DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB liability represents the Academy’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.



## 8. DEFINED BENEFIT OPEB PLANS (Continued)

### Net OPEB Liability (Continued)

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

### Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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 fiscal year 2018, 0.5 percent of covered payroll was made 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 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2018, the Academy's surcharge obligation was \$4,518.

**8. DEFINED BENEFIT OPEB PLANS (Continued)**

**Plan Description - School Employees Retirement System (SERS) (Continued)**

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy’s contractually required contribution to SERS was \$5,898 for fiscal year 2018. Of this amount, \$4,628 is reported as intergovernmental payable.

**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, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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, 2018, STRS did not allocate any employer contributions to post-employment health care.

**Net OPEB Liability**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

|   | SERS                 | STRS               | Total       |
|---|----------------------|--------------------|-------------|
| Proportion of the net OPEB liability prior measurement date   | 0.00718867%          | 0.01412476%        |             |
| Proportion of the net OPEB liability current measurement date | 0.00686040%          | 0.01574991%        |             |
| Change in proportionate share                                 | <u>(0.00032827%)</u> | <u>0.00162515%</u> |             |
| Proportionate share of net OPEB liability                     | \$184,115            | \$614,503          | \$798,618   |
| OPEB Expense  | \$8,340              | (\$175,097)        | (\$166,757) |

**8. DEFINED BENEFIT OPEB PLANS (Continued)****Net OPEB Liability (Continued)**

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <b>Deferred Outflows of Resources</b>   | <u>SERS</u>            | <u>STRS</u>             | <u>TOTAL</u>            |
|---|------------------------|-------------------------|-------------------------|
| Differences between expected and actual experience  | \$0                    | \$35,473                | \$35,473                |
| Difference between Academy contributions and proportionate share of contributions/change in proportionate share | 0                      | 74,497                  | 74,497                  |
| Academy contributions subsequent to the measurement date  | <u>5,898</u>           | <u>0</u>                | <u>5,898</u>            |
| <b>Total Deferred Outflows of Resources</b>   | <u><u>\$5,898</u></u>  | <u><u>\$109,970</u></u> | <u><u>\$115,868</u></u> |
| <br>  |                        |                         |                         |
| <b>Deferred Inflows of Resources</b>  |                        |                         |                         |
| Net difference between projected and actual earnings on pension plan investments                                | \$486                  | \$26,266                | \$26,752                |
| Changes of assumptions  | 17,472                 | 49,500                  | 66,972                  |
| Difference between Academy contributions and proportionate share of contributions/change in proportionate share | <u>7,303</u>           | <u>0</u>                | <u>7,303</u>            |
| <b>Total Deferred Inflows of Resources</b>  | <u><u>\$25,261</u></u> | <u><u>\$75,766</u></u>  | <u><u>\$101,027</u></u> |

\$5,898 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

| <u>Fiscal Year Ending June 30:</u> | <u>SERS</u>              | <u>STRS</u>            | <u>TOTAL</u>          |
|------------------------------------|--------------------------|------------------------|-----------------------|
| 2019                               | (\$9,098)                | \$3,512                | (\$5,586)             |
| 2020                               | (9,098)                  | 3,512                  | (5,586)               |
| 2021                               | (6,945)                  | 3,512                  | (3,433)               |
| 2022                               | (120)                    | 3,512                  | 3,392                 |
| 2023                               | 0                        | 10,076                 | 10,076                |
| Thereafter                         | <u>0</u>                 | <u>10,080</u>          | <u>10,080</u>         |
| <b>Total</b>                       | <u><u>(\$25,261)</u></u> | <u><u>\$34,204</u></u> | <u><u>\$8,943</u></u> |

**8. DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions – SERS**

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

|  |  |
|--|--|
| Wage 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 investments expense, including inflation |
| Actuarial Cost Method  | Entry Age Normal (level percent of payroll)                  |
| Municipal bond index rate:   |  |
| Measurement date   | 3.56 percent   |
| Prior measurement date   | 2.92 percent   |
| Single equivalent interest rate, net of plan investment expense including price inflation: |  |
| Measurement date   | 3.63 percent   |
| Prior measurement date   | 2.98 percent   |
| Medical trend assumption:  |  |
| Medicare   | 5.50 to 5.00 percent   |
| Pre-Medicare   | 7.50 to 5.00 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.

**8. DEFINED BENEFIT OPEB PLANS (Continued)****Actuarial Assumptions – SERS (Continued)**

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 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 timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 1.00 %               | 0.50 %                                    |
| US Stocks              | 22.50                | 4.75                                      |
| Non-US Stocks          | 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 at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of 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, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

**8. DEFINED BENEFIT OPEB PLANS (Continued)****Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates (Continued)**

|  | 1% Decrease<br>(2.63%) | Current<br>Discount Rate<br>(3.63%) | 1% Increase<br>(4.63%) |
|--|------------------------|-------------------------------------|------------------------|
| Academy's proportionate share<br>of the net OPEB liability | \$222,342              | \$184,115                           | \$153,829              |

|  | 1% Decrease<br>(6.5% decreasing<br>to 4.0%) | Current<br>Trend Rate<br>(7.5% decreasing<br>to 5.0%) | 1% Increase<br>(8.5% decreasing<br>to 6.0%) |
|--|---|---|---|
| Academy's proportionate share<br>of the net OPEB liability | \$149,396                                   | \$184,115   | \$230,067                                   |

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.50 percent   |
| Projected Salary Increases        | 12.50 percent at age 20 to<br>2.50 percent at age 65             |
| Investment Rate of Return         | 7.45 percent, net of investment<br>expenses, including inflation |
| Payroll Increases                 | 3 percent  |
| Cost-of-Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017                              |
| Blended discount rate of return   | 4.13 percent   |
| Health care cost trends           | 6 to 11 percent initial, 4.5 percent ultimate                    |

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.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**8. DEFINED BENEFIT OPEB PLANS (Continued)****Actuarial Assumptions – STRS (Continued)**

Also, since the prior measurement date, 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. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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 Assets          | 10.00             |   | 6.00                                    |   |
| Liquidity Reserves   | 1.00              |   | 2.25                                    |   |
| Total                | 100.00            | % |   |   |

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

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**8. DEFINED BENEFIT OPEB PLANS (Continued)**

**Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate (Continued)**

|  | 1% Decrease<br>(3.13%) | Current<br>Discount Rate<br>(4.13%) | 1% Increase<br>(5.13%) |
|--|------------------------|-------------------------------------|------------------------|
| Academy's proportionate share<br>of the net OPEB liability | \$824,961              | \$614,503                           | \$448,173              |

|  | 1% Decrease | Current<br>Trend Rate | 1% Increase |
|--|-------------|-----------------------|-------------|
| Academy's proportionate share<br>of the net OPEB liability | \$426,931   | \$614,503             | \$861,371   |

**9. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the Academy contracted with Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate and no deductible. There has been no reduction in coverage from the prior year. There have been no settlements exceeding coverage in any of the last three fiscal years.

**B. Workers Compensation**

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. 100% of this premium was paid for fiscal year 2018.

**10. EMPLOYEE MEDICAL AND DENTAL BENEFITS**

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 60% of the monthly premium and the employee is responsible for the remaining 40%. The Academy has also contracted with private carriers to provide dental coverage. The Academy pays 60% of the monthly premium and the employee is responsible for the remaining 40%.

**11. PURCHASED SERVICES**

Purchased service expenses during fiscal year 2018 were as follows:

| <b>Purchased Services</b>      |                    |
|--------------------------------|--------------------|
| <b>Type</b>                    | <b>Amount</b>      |
| Professional Services          | \$912,012          |
| Rent and Property Services     | 139,110            |
| Admin Travel                   | 9,785              |
| Advertising and Communications | 48,695             |
| Pupil Transportation           | 1,788              |
| <b>Total</b>                   | <b>\$1,111,390</b> |



**12. NOTE RECEIVABLE**

The following is a schedule of the note receivable activity during fiscal year 2018:

| <b>Note Receivable</b> |            |                  |            |                  |
|------------------------|------------|------------------|------------|------------------|
|                        | Balance on |                  |            | Balance on       |
|                        | 7/1/2017   | Additions        | Deletions  | 6/30/2018        |
| HSA Dayton High        | \$0        | \$100,000        | \$0        | \$100,000        |
| <b>Total</b>           | <b>\$0</b> | <b>\$100,000</b> | <b>\$0</b> | <b>\$100,000</b> |

The Academy lent \$100,000 to HSA Springfield School. This amount was still outstanding at the end of the fiscal year.

**13. CAPITAL LEASES**

In fiscal year 2018, the Academy entered into a capitalized lease agreement for a van. This lease meet the criteria of a capital lease as defined by accounting principles generally accepted in the United States, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease was recorded at the present value of the future minimum lease payments as of the inception date. The Academy made principal payments of \$4,548 during fiscal year 2018. The following is a schedule of the future minimum lease payments required for the capital lease as of June 30, 2018:

| Fiscal Year Ending June 30,             |                |
|---|----------------|
| 2019                                    | \$4,548        |
| 2020                                    | 4,548          |
| Present Value of Minimum Lease Payments | <b>\$9,096</b> |

**14. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy. In fiscal year 2018, the Academy received grants from State and Federal agencies total of \$964,828.

**B. 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 a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2018.

#### **14. CONTINGENCIES (Continued)**

##### **B. School Foundation (Continued)**

According to the FTE review conducted by the State for fiscal year 2018, the Academy was underpaid by \$33,990. This amount is included in intergovernmental receivable in the Statement of Net Position.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

In addition, the Academy's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy.

#### **15. SPONSORSHIP AGREEMENT**

On July 1, 2010, Buckeye Community Hope Foundation assumed responsibility for sponsorship of the Academy for five years by June 30, 2015. In 2015, the original contract was extended until June 30, 2020. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract, the Academy pays 3% of its foundation revenues to the Sponsor. In fiscal year 2018, the Academy's compensation to the Sponsor was \$94,579.

#### **16. MANAGEMENT COMPANY AGREEMENT**

The Academy contracted with Concepts Schools, Inc. to serve as the Academy's management company. The contract is renewed automatically every year in one year terms unless the Academy or the management company decides otherwise. According to the contract, the Academy transfers 10% of the funds received from the State. In fiscal year 2018, the Academy paid \$454,046 to Concept Schools for management services, and had a \$23,955 credit balance toward next fiscal year, which is included in the Statement of Net Position.

## REQUIRED SUPPLEMENTARY INFORMATION

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HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

|  | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|
| Academy's proportion of the net pension liability  | 0.00673310% | 0.00737550% | 0.00695300% |
| Academy's proportionate share of the net pension liability   | \$402,288   | \$539,819   | \$396,745   |
| Academy's covered-employee payroll   | \$243,457   | \$230,693   | \$209,325   |
| Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 165.24%     | 234.00%     | 189.54%     |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 69.50%      | 62.98%      | 69.16%      |

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Academy's proportion of the net pension liability  | 0.00674000% | 0.00674000% |
| Academy's proportionate share of the net pension liability   | \$341,108   | \$400,806   |
| Academy's covered-employee payroll   | \$195,851   | \$158,858   |
| Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 174.17%     | 252.30%     |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 71.70%      | 65.52%      |

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

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

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

|  | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|
| Academy's proportion of the net pension liability  | 0.01574991% | 0.01412476% | 0.01290551% |
| Academy's proportionate share of the net pension liability   | \$3,741,425 | \$4,727,983 | \$3,566,705 |
| Academy's covered-employee payroll   | \$1,746,164 | \$1,500,807 | \$1,346,471 |
| Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 214.27%     | 315.03%     | 264.89%     |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 75.30%      | 66.80%      | 72.10%      |

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Academy's proportion of the net pension liability  | 0.01485694% | 0.01485694% |
| Academy's proportionate share of the net pension liability   | \$3,613,722 | \$4,304,642 |
| Academy's covered-employee payroll   | \$1,517,969 | \$1,480,323 |
| Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 238.06%     | 290.79%     |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 74.70%      | 69.30%      |

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

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

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PENSION CONTRIBUTIONS

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST EIGHT FISCAL YEARS

|  | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>     |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$37,258        | \$34,084        | \$32,297        | \$27,589        | \$27,145        |
| Contributions in relation to the contractually required contribution | <u>(37,258)</u> | <u>(34,084)</u> | <u>(32,297)</u> | <u>(27,589)</u> | <u>(27,145)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| Academy's covered-employee payroll                                   | \$275,985       | \$243,457       | \$230,693       | \$209,325       | \$195,851       |
| Contributions as a percentage of covered-employee payroll            | 13.50%          | 14.00%          | 14.00%          | 13.18%          | 13.86%          |
|  | <u>2013</u>     | <u>2012</u>     | <u>2011</u>     |                 |                 |
| Contractually required contribution                                  | \$21,986        | \$21,588        | \$7,013         |                 |                 |
| Contributions in relation to the contractually required contribution | <u>(21,986)</u> | <u>(21,588)</u> | <u>(7,013)</u>  |                 |                 |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |                 |                 |
| Academy's covered-employee payroll                                   | \$158,858       | \$160,506       | \$55,792        |                 |                 |
| Contributions as a percentage of covered-employee payroll            | 13.84%          | 13.45%          | 12.57%          |                 |                 |

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PENSION CONTRIBUTIONS

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST EIGHT FISCAL YEARS

|  | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$253,225        | \$244,463        | \$210,113        | \$188,506        | \$197,336        |
| Contributions in relation to the contractually required contribution | <u>(253,225)</u> | <u>(244,463)</u> | <u>(210,113)</u> | <u>(188,506)</u> | <u>(197,336)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Academy's covered-employee payroll                                   | \$1,808,750      | \$1,746,164      | \$1,500,807      | \$1,346,471      | \$1,517,969      |
| Contributions as a percentage of covered-employee payroll            | 14.00%           | 14.00%           | 14.00%           | 14.00%           | 13.00%           |
|  | <u>2013</u>      | <u>2012</u>      | <u>2011</u>      |                  |                  |
| Contractually required contribution                                  | \$192,442        | \$136,260        | \$80,304         |                  |                  |
| Contributions in relation to the contractually required contribution | <u>(192,442)</u> | <u>(136,260)</u> | <u>(80,304)</u>  |                  |                  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |                  |                  |
| Academy's covered-employee payroll                                   | \$1,480,323      | \$1,048,154      | \$617,723        |                  |                  |
| Contributions as a percentage of covered-employee payroll            | 13.00%           | 13.00%           | 13.00%           |                  |                  |



HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Academy's proportion of the net OPEB liability  | 0.00686040% | 0.00718867% |
| Academy's proportionate share of the net OPEB liability   | \$184,115   | \$204,904   |
| Academy's covered-employee payroll  | \$243,457   | \$230,693   |
| Academy's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 75.63%      | 88.82%      |
| Plan fiduciary net position as a percentage of the total OPEB liability                                 | 12.46%      | 11.49%      |

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

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

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Academy's proportion of the net OPEB liability  | 0.01574991% | 0.01412476% |
| Academy's proportionate share of the net OPEB liability   | \$614,503   | \$755,396   |
| Academy's covered-employee payroll  | \$1,746,164 | \$1,500,807 |
| Academy's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 35.19%      | 50.33%      |
| Plan fiduciary net position as a percentage of the total OPEB liability                                 | 47.10%      | 37.30%      |

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

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

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S OPEB CONTRIBUTIONS

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST EIGHT FISCAL YEARS

|  | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$5,898        | \$3,868        | \$2,412        | \$5,196        | \$6,932        |
| Contributions in relation to the contractually required contribution | <u>(5,898)</u> | <u>(3,868)</u> | <u>(2,412)</u> | <u>(5,196)</u> | <u>(6,932)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Academy's covered-employee payroll                                   | \$275,985      | \$243,457      | \$230,693      | \$209,325      | \$195,851      |
| Contributions as a percentage of covered-employee payroll            | 2.14%          | 1.59%          | 1.05%          | 2.48%          | 3.54%          |
|  | <u>2013</u>    | <u>2012</u>    | <u>2011</u>    |                |                |
| Contractually required contribution                                  | \$6,201        | \$6,088        | \$1,961        |                |                |
| Contributions in relation to the contractually required contribution | <u>(6,201)</u> | <u>(6,088)</u> | <u>(1,961)</u> |                |                |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |                |                |
| Academy's covered-employee payroll                                   | \$158,858      | \$160,506      | \$55,792       |                |                |
| Contributions as a percentage of covered-employee payroll            | 3.90%          | 3.79%          | 3.51%          |                |                |

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S OPEB CONTRIBUTIONS

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST EIGHT FISCAL YEARS

|  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$-         | \$-         | \$-         | \$-         | \$16,802    |
| Contributions in relation to the contractually required contribution | 0           | 0           | 0           | 0           | (16,802)    |
| Contribution deficiency (excess)                                     | \$-         | \$-         | \$-         | \$-         | \$-         |
| Academy's covered-employee payroll                                   | \$1,808,750 | \$1,746,164 | \$1,500,807 | \$1,346,471 | \$1,517,969 |
| Contributions as a percentage of covered-employee payroll            | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 1.00%       |
|  | <b>2013</b> | <b>2012</b> | <b>2011</b> |             |             |
| Contractually required contribution                                  | \$13,746    | \$9,732     | \$5,736     |             |             |
| Contributions in relation to the contractually required contribution | (13,746)    | (9,732)     | (5,736)     |             |             |
| Contribution deficiency (excess)                                     | \$-         | \$-         | \$-         |             |             |
| Academy's covered-employee payroll                                   | \$1,480,323 | \$1,048,154 | \$617,723   |             |             |
| Contributions as a percentage of covered-employee payroll            | 1.00%       | 1.00%       | 1.00%       |             |             |

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**Horizon Science Academy Youngstown**  
 Mahoning County  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2018

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title | Pass<br>Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Expenditures            |
|--|-------------------------------------|---------------------------|-------------------------|
| <b>United States Department of Agriculture</b>             |                                     |                           |                         |
| <i>Passed Through Ohio Department of Education</i>         |                                     |                           |                         |
| <i>Child Nutrition Cluster:</i>                            |                                     |                           |                         |
| National School Lunch Program                              | 3L60                                | 10.555                    | \$154,096               |
| School Breakfast Program                                   | 3L70                                | 10.553                    | 45,915                  |
| Total Child Nutrition Cluster                              |                                     |                           | <u>200,011</u>          |
| <b>Total United States Department of Agriculture</b>       |                                     |                           | <b>200,011</b>          |
| <b>United States Department of Education</b>               |                                     |                           |                         |
| <i>Passed Through Ohio Department of Education</i>         |                                     |                           |                         |
| Special Education - Grants to States                       | 3M20                                | 84.027                    | 94,505                  |
| Title I Grants to Local Educational Agencies               | 3M00                                | 84.010                    | 408,536                 |
| English Language Acquisition State Grants                  | 3Y70                                | 84.365                    | 4,493                   |
| Improving Teacher Quality State Grants                     | 3Y60                                | 84.367                    | 95,338                  |
| Student Support and Academic Enrichment Grant (Title IV)   | 3HIO                                | 84.424                    | 9,963                   |
| <b>Total United States Department of Education</b>         |                                     |                           | <u><b>612,835</b></u>   |
| <b>Total Federal Financial Assistance</b>                  |                                     |                           | <u><b>\$812,846</b></u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**Horizon Science Academy Youngstown**  
Mahoning County  
Notes to the Schedule of Expenditures of Federal Awards  
2 CFR 200.510(b)(6)  
For the Fiscal Year Ended June 30, 2018

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Academy under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Horizon Science Academy Youngstown  
Mahoning County  
3403 Southern Blvd.  
Youngstown, Ohio 44507

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Horizon Science Academy Youngstown, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 14, 2018. We noted the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

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

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


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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
December 14, 2018

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*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Horizon Science Academy Youngstown  
Mahoning County  
3403 Southern Blvd.  
Youngstown, Ohio 44507

To the Board of Directors:

***Report on Compliance for the Major Federal Program***

We have audited the Horizon Science Academy Youngstown's, Mahoning County, Ohio's (the Academy) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2018. The Academy's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Horizon Science Academy Youngstown, Mahoning County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

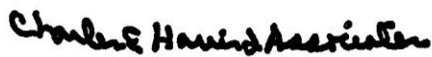
***Report on Internal Control Over Compliance***

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



***Charles E. Harris & Associates, Inc.***  
December 14, 2018

**HORIZON SCIENCE ACADEMY YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified                                 |
| <i>(d)(1)(ii)</i>   | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?      | No   |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(iv)</i>   | Were there any material weaknesses in internal control reported for major federal programs?                    | No   |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unmodified                                 |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under 2 CFR § 200.516(a)?  | No   |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | Title I Cluster – CFDA # 84.010            |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 750,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee under 2 CFR §200.520?   | Yes  |

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**HORIZON SCIENCE ACADEMY YOUNGSTOWN**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2019**