



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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HORIZON SCIENCE ACADEMY ELEMENTARY SCHOOL  
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

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OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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Board of Directors  
Horizon Science Academy Elementary School  
2835 Morse Road  
Columbus, Ohio 43231

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Elementary School, Franklin County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2019 through June 30, 2020. 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 Elementary School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 07, 2021

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HORIZON SCIENCE ACADEMY ELEMENTARY SCHOOL  
YEAR ENDED JUNE 30, 2020

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YEAR ENDED JUNE 30, 2020

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**INDEPENDENT AUDITOR'S REPORT**

Horizon Science Academy Elementary School  
Franklin County  
2835 Morse Road  
Columbus, Ohio 43231

To the Board of Directors:

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizon Science Academy Elementary School, Franklin County as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents 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 management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.  
Piketon, Ohio  
December 11, 2020

The discussion and analysis of Horizon Science Academy Elementary School's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2020. 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 2020 are as follows:

- Total assets were \$9,004,300.
- Total liabilities were \$9,563,073.
- Total net position decreased by \$27,118.

### **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 Changes 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 and supporting 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, 2020 with net position as of June 30, 2019.

**Table 1**  
**Net Position**

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,604,334	\$ 1,388,424
Capital Assets, Net	7,399,966	6,892,910
<b>Total Assets</b>	<b>9,004,300</b>	<b>8,281,334</b>
<b><u>Deferred Outflows of Resources</u></b>	<b>1,853,422</b>	<b>2,782,136</b>
<b><u>Liabilities</u></b>		
Current Liabilities	749,639	523,569
Noncurrent Liabilities	8,813,434	9,636,134
<b>Total Liabilities</b>	<b>9,563,073</b>	<b>10,159,703</b>
<b><u>Deferred Inflows of Resources</u></b>	<b>1,620,319</b>	<b>1,202,319</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	3,559,068	2,885,217
Unrestricted	(3,884,738)	(3,183,769)
<b>Total Net Position</b>	<b>\$ (325,670)</b>	<b>\$ (298,552)</b>

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

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

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

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

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/asset, respectively, not accounted for as deferred inflows/outflows.

Current and other assets increased primarily due to an increase in cash and cash equivalents resulting from the receipt of a Payroll Protection Program (PPP) loan from the Small Business Administration.

Total assets include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 7 for more detail.

Deferred outflows decreased primarily in deferred outflows related to pension. This decrease was primarily due to changes in assumptions by STRS and changes in the Academy's proportionate share reported by STRS. See Note 6 for more detail.

Current liabilities increased primarily due to the reporting of a current liability for the current portion of the PPP loan due in fiscal year 2021.

Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. In addition, the Academy made principal payments on long-term debt. These decreases were partially offset by an increase due to the addition of the long-term PPP loan. The net pension and net OPEB liabilities are outside of the control of the Academy. The Academy contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to Academy employees, not the Academy.

Table 2 shows the changes in net position for the fiscal years 2020 and 2019.

**Table 2**  
**Revenues, Expenses and Changes in Net Position**

	<b>2020</b>	<b>2019</b>
<b><u>Operating Revenues</u></b>		
Foundation payments	\$ 3,600,275	\$ 3,520,756
Rental income	264,691	264,691
Classroom fees	1,645	6,634
Extracurricular activities	12,727	20,901
Other revenue	73,430	84,892
<b>Total operating revenues</b>	<b>3,952,768</b>	<b>3,897,874</b>
<b><u>Operating Expenses</u></b>		
Salaries	2,672,671	2,409,957
Fringe benefits	944,219	433,330
Purchased services	1,414,770	1,525,414
Materials and supplies	129,155	148,864
Depreciation	296,655	268,188
Miscellaneous	148,637	200,827
<b>Total operating expenses</b>	<b>5,606,107</b>	<b>4,986,580</b>
<b>Operating loss</b>	<b>(1,653,339)</b>	<b>(1,088,706)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Restricted grants in aid - federal	1,103,795	1,233,770
State and other grants	706,096	569,099
Loss on disposal of capital assets	-	(3,451)
Contributions and donations	524	-
Interest revenue	3,325	10,837
Interest expense	(187,519)	(198,544)
<b>Total nonoperating revenues (expenses)</b>	<b>1,626,221</b>	<b>1,611,711</b>
Change in net position	(27,118)	523,005
Net position, beginning of year	(298,552)	(821,557)
<b>Net position, end of year</b>	<b>\$ (325,670)</b>	<b>\$ (298,552)</b>

Overall, operating revenues increased \$54,894 or 1.41% and operating expenses increased \$619,527 or 12.42%.

On an accrual basis, the Academy reported \$770,669 and \$901,072 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the Academy reported (\$104,754) and (\$800,375) in OPEB expense for fiscal year 2020 and 2019, respectively. The net increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$565,218. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. The net pension and net OPEB expenses are included in fringe benefits expense.

Salaries expense increased due to increased staffing levels in fiscal year 2020 versus fiscal year 2019.

Foundation support increased \$79,519 due in part to increased enrollment. Federal grants decreased in the amount of \$129,975 and state grants increased \$136,997.

Foundation support is the primary support of the Academy, comprising 91.08% of operating revenue and 62.43% of total revenues. The Academy also received a significant portion of federal and state grants, which represent 31.39% of total revenue. State grant revenue increased due to the receipt of student wellness grant funding from the State of Ohio in fiscal year 2020. Net position decreased \$27,118.

### Capital Assets

At the end of fiscal year 2020, the Academy had \$8,373,178 invested in land, buildings, improvements, and equipment, (\$7,399,966 net of accumulated depreciation). Table 3 shows the balances at June 30, 2020 and June 30, 2019.

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

	<b>Balance</b> <b>June 30, 2020</b>	<b>Balance</b> <b>June 30, 2019</b>
<b>Capital Assets, Not Being Depreciated:</b>		
Land	\$ 1,192,577	\$ 864,100
<b>Capital Assets, Being Depreciated:</b>		
Building	5,805,678	5,805,678
Improvements	951,919	552,531
Equipment Instructional	332,349	326,941
Equipment Office	90,655	100,024
<b>Total Capital Assets, Being Depreciated</b>	<b>7,180,601</b>	<b>6,785,174</b>
<b>Total Capital Assets</b>	<b>8,373,178</b>	<b>7,649,274</b>
Less: Accumulated Depreciation	(973,212)	(756,364)
<b>Net Capital Assets</b>	<b>\$ 7,399,966</b>	<b>\$ 6,892,910</b>

For more information on capital assets see Note 5 to the basic financial statements.

## Debt

At the end of fiscal year 2020 the Academy had \$4,483,198 in debt outstanding. Table 4 shows the balances at June 30, 2020 and June 30, 2019.

**Table 4**  
**Debt**

Name	Balance June 30, 2020	Balance June 30, 2019
Premier Bank Inc. Mortgage	\$ 2,008,517	\$ 2,160,150
Premier Bank Inc. Line of Credit	1,745,191	1,847,543
Premier Bank Inc. Phase III Construction Loan	87,190	-
PPP Loan	642,300	-
<b>Total</b>	<b>\$ 4,483,198</b>	<b>\$ 4,007,693</b>

For more information on outstanding debt see Note 8 and Note 13 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 Begmurat Nepesov, Treasurer, Horizon Science Academy Elementary School, 2835 Morse Rd., Columbus, OH 43231.

**Horizon Science Academy Elementary School**

Statement of Net Position

June 30, 2020

**ASSETS:**

***Current Assets:***

Cash and cash equivalents	\$	1,203,479
Accounts receivable		21,147
Intergovernmental receivable		15,004
Loans and Notes receivable		48,000
Total current assets		1,287,630

***Noncurrent Assets:***

Net OPEB asset		316,704
Nondepreciable capital assets		1,192,577
Depreciable capital assets, net		6,207,389
Total noncurrent assets		7,716,670

<b>Total Assets</b>		<b>9,004,300</b>
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**DEFERRED OUTFLOWS OF RESOURCES:**

Pension		1,655,255
OPEB		198,167
<b>Total Deferred Outflows of Resources</b>		<b>1,853,422</b>

**LIABILITIES:**

***Current Liabilities:***

Accounts payable		57,274
Accrued wages and benefits payable		248,653
Intergovernmental payable		21,614
Loan payable		213,031
Mortgage and line of credit payable		209,067
Total current liabilities		749,639

***Noncurrent Liabilities:***

Net pension liability		4,606,144
Net OPEB liability		146,190
Loan payable		429,269
Mortgage and line of credit payable		3,631,831
Total noncurrent liabilities		8,813,434

<b>Total Liabilities</b>		<b>9,563,073</b>
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**DEFERRED INFLOWS OF RESOURCES:**

Pension		1,032,964
OPEB		587,355
<b>Total Deferred Inflows of Resources</b>		<b>1,620,319</b>

**NET POSITION:**

Net investment in capital assets		3,559,068
Unrestricted		(3,884,738)
<b>Total Net Position</b>	<b>\$</b>	<b>(325,670)</b>

See accompanying notes to the basic financial statements.



**Horizon Science Academy Elementary School**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2020

<b><u>OPERATING REVENUES:</u></b>	
Foundation payments	\$ 3,600,275
Rental income	264,691
Classroom fees	1,645
Extracurricular activities	12,727
Other revenue	73,430
	<b>3,952,768</b>
<b><u>OPERATING EXPENSES:</u></b>	
Salaries	2,672,671
Fringe benefits	944,219
Purchased services	1,414,770
Materials and supplies	129,155
Depreciation	296,655
Miscellaneous	148,637
	<b>5,606,107</b>
<b>Operating loss</b>	<b>(1,653,339)</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>	
Restricted grants in aid - federal	1,103,795
State and other grants	706,096
Contributions and donations	524
Interest revenue	3,325
Interest expense	(187,519)
	<b>1,626,221</b>
Change in net position	(27,118)
Net position, beginning of year	(298,552)
<b>Net position, end of year</b>	<b>\$ (325,670)</b>

See accompanying notes to the basic financial statements.

**Horizon Science Academy Elementary School**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from State of Ohio	\$ 3,600,975
Cash received from rents	264,691
Other cash receipts	144,944
Cash payments to employees for services and benefits	(3,203,385)
Cash payments to suppliers for goods and services	(1,537,683)
Other cash payment	(148,637)
	<b>(879,095)</b>
<b>Net cash (used in) operating activities</b>	<b>(879,095)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Federal grants received	1,094,807
State and other grants received	706,096
Cash received from loans	642,300
Principal received on loans and notes receivable	289,684
Contributions and donations received	524
	<b>2,733,411</b>
<b>Net cash provided by noncapital financing activities</b>	<b>2,733,411</b>

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

Cash received from loans	87,190
Principal paid on mortgage and line of credit payable	(253,985)
Interest paid on mortgage and line of credit payable	(187,519)
Payments for capital acquisitions	(803,711)
	<b>(1,158,025)</b>
<b>Net cash (used in) capital and related financing activities</b>	<b>(1,158,025)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	3,325
	<b>3,325</b>
Net increase in cash and cash equivalents	699,616
Cash and cash equivalents at beginning of year	503,863
	<b>\$ 1,203,479</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,203,479</b>

**RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES**

Operating loss	\$ (1,653,339)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES**

Depreciation	296,655
<b>Changes in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:</b>	
Decrease in prepaid assets	85,625
Decrease in accounts receivable	57,142
Increase in accounts payable	6,242
Increase in intergovernmental receivable	700
Increase in accrued wages and benefits payable	30,431
Increase in intergovernmental payable	21,614
Increase in net OPEB asset	59,543
Increase in deferred outflows of resources	928,714
Increase in deferred inflows of resources	418,000
(Decrease) in net pension liability	(1,044,603)
(Decrease) in net OPEB liability	(85,819)
	<b>774,244</b>
<b>Total adjustments</b>	<b>774,244</b>
<b>Net cash (used in) operating activities</b>	<b>\$ (879,095)</b>

See accompanying notes to the basic financial statements.

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

Horizon Science Academy Elementary School, (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 five in Columbus. 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 Hope Foundation (the Sponsor) for a period of one year commencing March 31, 2008. The contract has been extended in May 2010 until June 30, 2015. The contract has been extended through June 30, 2025.

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. During fiscal year 2020, the Academy employed 77 personnel and had 489 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 Changes 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 deferred outflows, and all liabilities and deferred inflows associated with the operation of the Academy are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows 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 community school and its Sponsor. The contract between the Academy and its Sponsor does not require the Academy to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

**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 2020.

**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.

All capital assets, except land, 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.

	<u>Useful Life</u>
Buildings	40 years
Improvements	5 to 10 years
Equipment Office	5 to 10 years
Equipment Instructional	3 to 5 years
Vehicles	3 to 10 years

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

### **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 \$150 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 deferred outflows of resources and liabilities and deferred inflows of resources. 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, 2020, the Academy did not have any restricted net position.

### **J. Estimates**

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

## **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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, see Notes 6 and 7 for deferred outflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Notes 6 and 7 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability/asset, respectively.

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

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

### **M. 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. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2020, the Academy has implemented GASB Statement No. 84, "Fiduciary Activities" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Academy.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Academy.

**4. DEPOSITS**

At June 30, 2020, the carrying amount of Academy deposits was \$1,203,479 and the bank balance of Academy deposits was \$1,205,389. Of the bank balance, \$469,421 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$735,968 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2020</b>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 864,100	\$ 328,477	\$ -	\$ 1,192,577
<b>Capital Assets, Being Depreciated:</b>				
Building	5,805,678	-	-	5,805,678
Improvements	552,531	399,388	-	951,919
Equipment Instructional	326,941	75,846	(70,438)	332,349
Equipment Office	100,024	-	(9,369)	90,655
<b>Total Capital Assets, Being Depreciated</b>	<b>6,785,174</b>	<b>475,234</b>	<b>(79,807)</b>	<b>7,180,601</b>
<b>Total Capital Assets</b>	<b>7,649,274</b>	<b>803,711</b>	<b>(79,807)</b>	<b>8,373,178</b>
Less: Accumulated Depreciation	(756,364)	(296,655)	79,807	(973,212)
<b>Net Capital Assets</b>	<b>\$ 6,892,910</b>	<b>\$ 507,056</b>	<b>\$ -</b>	<b>\$ 7,399,966</b>

**6. DEFINED BENEFIT PENSION PLANS*****Net Pension Liability***

The net pension liability 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.

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.



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

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 *accrued wages and benefits payable* and *intergovernmental payable*.

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

## 6. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The Academy's contractually required contribution to SERS was \$29,146 for fiscal year 2020. Of this amount, \$1,944 is reported in *accrued wages and benefits payable* and *intergovernmental payable*.

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

Plan Description - Licensed teachers 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 website 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% 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 28 years of service, or 33 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

**6. DEFINED BENEFIT PENSION PLANS (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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

The Academy’s contractually required contribution to STRS was \$360,693 for fiscal year 2020. Of this amount, \$43,230 is reported in *accrued wages and benefits payable*.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.00877270%	0.02341448%	
Proportion of the net pension liability current measurement date	<u>0.00630860%</u>	<u>0.01912188%</u>	
Change in proportionate share	<u>-0.00246410%</u>	<u>-0.00429260%</u>	
Proportionate share of the net pension liability	\$ 377,455	\$ 4,228,689	\$ 4,606,144
Pension expense	\$ (48,150)	\$ 818,819	\$ 770,669

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 9,570	\$ 34,429	\$ 43,999
Changes of assumptions	-	496,740	496,740
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	724,677	724,677
Contributions subsequent to the measurement date	<u>29,146</u>	<u>360,693</u>	<u>389,839</u>
Total deferred outflows of resources	<u>\$ 38,716</u>	<u>\$ 1,616,539</u>	<u>\$ 1,655,255</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 18,304	\$ 18,304
Net difference between projected and actual earnings on pension plan investments	4,842	206,670	211,512
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>134,588</u>	<u>668,560</u>	<u>803,148</u>
Total deferred inflows of resources	<u>\$ 139,430</u>	<u>\$ 893,534</u>	<u>\$ 1,032,964</u>

\$389,839 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, 2021.

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

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$ (97,322)	\$ 456,628	\$ 359,306
2022	(34,962)	82,209	47,247
2023	(322)	(34,452)	(34,774)
2024	2,746	(142,073)	(139,327)
Total	<u>\$ (129,860)</u>	<u>\$ 362,312</u>	<u>\$ 232,452</u>

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

***Actuarial Assumptions - SERS***

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

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

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**6. DEFINED BENEFIT PENSION PLANS (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 Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 528,949	\$ 377,455	\$ 250,408

**Actuarial Assumptions - STRS**

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

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

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

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

\*\*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% as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

***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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ 6,179,758	\$ 4,228,689	\$ 2,577,009

**7. DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

The net OPEB liability/asset represents a liability/asset to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset 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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which 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/asset. Resulting adjustments to the net OPEB liability/asset 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/funded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in *accrued wages and benefits payable* and *intergovernmental payable*.



## 7. DEFINED BENEFIT OPEB PLANS (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the Academy's surcharge obligation was \$241.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$241 for fiscal year 2020.

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

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.00836290%	0.02341448%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.00581320%</u>	<u>0.01912188%</u>	
Change in proportionate share	<u>-0.00254970%</u>	<u>-0.00429260%</u>	
Proportionate share of the net OPEB liability	\$ 146,190	\$ -	\$ 146,190
Proportionate share of the net OPEB asset	\$ -	\$ 316,704	\$ 316,704
OPEB expense	\$ (34,127)	\$ (70,627)	\$ (104,754)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 2,145	\$ 28,711	\$ 30,856
Net difference between projected and actual earnings on OPEB plan investments	350	-	350
Changes of assumptions	10,678	6,657	17,335
Difference between employer contributions and proportionate share of contributions/change in proportionate share	-	149,385	149,385
Contributions subsequent to the measurement date	<u>241</u>	<u>-</u>	<u>241</u>
Total deferred outflows of resources	<u>\$ 13,414</u>	<u>\$ 184,753</u>	<u>\$ 198,167</u>

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 32,117	\$ 16,112	\$ 48,229
Net difference between projected and actual earnings on OPEB plan investments	-	19,891	19,891
Changes of assumptions	8,193	347,230	355,423
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>139,083</u>	<u>24,729</u>	<u>163,812</u>
Total deferred inflows of resources	<u>\$ 179,393</u>	<u>\$ 407,962</u>	<u>\$ 587,355</u>

\$241 reported as deferred outflows of resources related to OPEB resulting from Academy’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (44,261)	\$ (49,265)	\$ (93,526)
2022	(30,749)	(49,265)	(80,014)
2023	(30,647)	(41,292)	(71,939)
2024	(30,665)	(38,500)	(69,165)
2025	(22,155)	(41,676)	(63,831)
Thereafter	<u>(7,743)</u>	<u>(3,211)</u>	<u>(10,954)</u>
Total	<u>\$ (166,220)</u>	<u>\$ (223,209)</u>	<u>\$ (389,429)</u>

***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.

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return 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%, 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.

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 177,447	\$ 146,190	\$ 121,337
		Current Trend Rate	
	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ 117,128	\$ 146,190	\$ 184,748

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

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

***Assumption Changes Since the Prior Measurement Date*** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

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

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

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

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

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

	1% Decrease	Current Discount Rate	1% Increase
	Academy's proportionate share of the net OPEB asset	\$ 270,244	\$ 316,704

  

	1% Decrease	Current Trend Rate	1% Increase
	Academy's proportionate share of the net OPEB asset	\$ 359,128	\$ 316,704

**8. MORTGAGE AND LINE OF CREDIT PAYABLE**

During fiscal year 2020, the following changes occurred in the Academy’s mortgage and line of credit payable:

Name	Balance			Balance June 30, 2020	Amount Due Within One Year
	June 30, 2019	Additions	Deductions		
Premier Bank Inc. Mortgage	\$ 2,160,150	\$ -	\$ (151,633)	\$ 2,008,517	\$ 145,257
Premier Bank Inc. Line of Credit	1,847,543	-	(102,352)	1,745,191	63,810
Premier Bank Inc. Phase III Construction Loan	-	87,190	-	87,190	-
<b>Total</b>	<b>\$ 4,007,693</b>	<b>\$ 87,190</b>	<b>\$ (253,985)</b>	<b>\$ 3,840,898</b>	<b>\$ 209,067</b>

Premier Bank Inc. Mortgage

The Academy purchased the building and modular units located at 2835 Morse Rd. Columbus, OH 43231 for total amount of \$3,718,023 from Charter School Development Corporation as of June 2015. The Academy paid \$1,035,605 as a down payment, received a \$2,682,418 mortgage loan from Premier Bank, Inc. The loan was to be repaid no later than August 13, 2020; however, the terms of the loan have been extended by 60 months with a new final maturity date of August 13, 2025. The extended mortgage loan from Premier Bank, Inc. bears interest of 4.75 percent. The initial Term of the Loan shall be for 5 years from the date of closing (the “Initial Maturity”) and the monthly payments shall be based on a 12-year (144 month) amortization schedule with a balloon payment at the end. This loan period started on September 13, 2020. The mortgage is a direct borrowing in which the terms are negotiated directly between the Academy and the lender. The property acquired by the mortgage serves as collateral for the debt.

A summary of the Academy’s future mortgage requirements, including principal and interest payments as of June 30, 2020, follows:

Fiscal Year Ending June 30	Premier Bank Mortgage		
	Principal	Interest	Total
2021	\$ 145,257	\$ 93,263	\$ 238,520
2022	165,745	86,117	251,862
2023	173,906	77,956	251,862
2024	182,281	69,581	251,862
2025	191,444	60,418	251,862
2026	1,149,884	9,188	1,159,072
	<u>\$ 2,008,517</u>	<u>\$ 396,523</u>	<u>\$ 2,405,040</u>

Premier Bank Inc. Line of Credit

The Academy purchased the building located at 2899 Morse Rd. Columbus, OH 43231 as of July 1, 2017. The Academy entered into a \$2,000,000 line of credit from Premier Bank, Inc. The loan was to be repaid no later than August 10, 2020; however, the terms of the loan have been extended by 40 months with a new final maturity date of December 10, 2023. The extended line of credit from Premier Bank, Inc. bears interest of 5.00 percent. The initial Term of the Loan shall be for 3 years from the date of closing (the “Initial Maturity”) and the monthly payments shall be based on a 10-year (120 month) amortization schedule with a balloon payment at the end. This loan period started on September 10, 2020. The loan is a direct borrowing in which the terms are negotiated directly between the Academy and the lender. The property acquired by the loan serves as collateral for the debt.



**8. MORTGAGE AND LINE OF CREDIT PAYABLE (Continued)**

A summary of the Academy’s future loan requirements, including principal and interest payments as of June 30, 2020, follows:

Fiscal Year Ending June 30	Premier Bank Line of Credit		
	Principal	Interest	Total
2021	\$ 63,810	\$ 87,884	\$ 151,694
2022	114,938	82,598	197,536
2023	120,902	76,634	197,536
2024	1,445,541	36,081	1,481,622
	<u>\$ 1,745,191</u>	<u>\$ 283,197</u>	<u>\$ 2,028,388</u>

**Premier Bank Inc. Phase III Construction Loan**

On March 26, 2020, the Academy entered into a loan agreement with Premier Bank to loan the Academy up to \$1,024,579. The unpaid principal on the loan bears an interest rate equal to the Wall Street Journal Prime Rate plus one percent (1.00%) per annum with a floor of five percent (5.00%) per annum. As of June 30, 2020, the Academy has borrowed \$87,190 of the total permissible borrowings available. A draw request for the remaining balance was done on October 22, 2020. An schedule of future debt service payments is not available until all funds have been drawn.

**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 2020, the Academy contracted with Hanover 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 and there has been no significant reduction in coverage from the prior year and there has been no significant reduction in coverage from the prior year.

**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 during fiscal year 2020.

**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 2020 were as follows:

<u>Type</u>	<u>Amount</u>
Professional Services	\$ 925,372
Rent and Property Services	151,250
Travel Mileage/Meeting Expense	768
Advertising and Communications	20,478
Utility Services	50,524
Contracted Craft or Trade Services	241,422
Other Purchased Services	24,956
<b>Total</b>	<b><u>\$ 1,414,770</u></b>

## 12. LOANS AND NOTES RECEIVABLE

The following is a schedule of the note receivable activity during fiscal year 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Note Receivable:</b>				
Noble Academy Columbus	\$ 132,000	\$ -	\$ (84,000)	\$ 48,000
<b>Loans Receivable:</b>				
HSA Columbus	<u>205,684</u>	<u>-</u>	<u>(205,684)</u>	<u>-</u>
Total	<b><u>\$ 337,684</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (289,684)</u></b>	<b><u>\$ 48,000</u></b>

In fiscal year 2015 and prior, the Academy issued \$375,000 in long-term promissory notes to the Noble Academy - Columbus. During fiscal year 2020, Noble Academy – Columbus made a principal payment on the note of \$84,000. This note is interest free. The Academy expects to receive \$48,000 in principal payments on the note in fiscal year 2021. The note must be repaid by the end of fiscal year 2023.

During fiscal year 2016, the Academy made a \$520,000 loan to HSA Columbus to help finance the purchase of a building. The loan bears an interest rate if 3.25%. The loan is to be repaid no later than December 21, 2030 but is scheduled to be paid off by August 21, 2024. The Academy received final payment on the loan in fiscal year 2020.

## 13. LOAN PAYABLE

On May 11, 2020, the Academy received a \$642,300 Payroll Protection Program (PPP) loan through the Small Business Administration. The loan has a repayment schedule of 18 months and bears an interest rate of 1%. Payments on the PPP loan are scheduled to begin January 1, 2021. The following is a schedule of PPP loan activity for fiscal year 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
PPP Loan	<u>\$ -</u>	<u>\$ 642,300</u>	<u>\$ -</u>	<u>\$ 642,300</u>

### 13. LOAN PAYABLE (Continued)

The following is a schedule of future debt service requirements on the PPP loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 213,031	\$ 2,768	\$ 215,799
2022	429,269	2,329	431,598
<b>Total</b>	<b>\$ 642,300</b>	<b>\$ 5,097</b>	<b>\$ 647,397</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 2020, the Academy received grants from State and Federal agencies total of \$1,809,891.

#### B. Ohio Department of Education Enrollment Review

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2020 are finalized. The impact of the FTE adjustments does not have a material impact on the Academy's financial statements.

In addition, the Academy's contracts with Buckeye Community Hope Foundation and Concept Schools require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 are finalized. The impact related to additional reconciliations necessary with these contracts does not have a material impact on the Academy's financial statements.

### 15. SPONSORSHIP AGREEMENT

On March 31, 2008, the Academy signed a sponsorship agreement with Buckeye Hope Foundation for one year. The contract was extended in May 2010 until June 30, 2015. The contract has been extended until June 30, 2025. 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 agreed by both parties, the Academy pays 3% of its foundation revenues to the Sponsor. In fiscal year 2020, the Academy's compensation to the Sponsor was \$120,637.

## **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. The management contract was amended in fiscal year 2017. According to amended terms, the Academy shall automatically transfer ten percent (10%) of the funds received from the State when such funds are immediately available in the Academy's accounts. During fiscal year 2020, the Academy paid \$576,651 to Concept Schools for management services.

## **17. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. The Academy's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

## **18. RELATED PARTIES**

The Board members for the Academy are also Board members for other Horizon Science Academy Schools that are managed by the same management company, Concept Schools, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**Horizon Science Academy Columbus Elementary**  
Schedule of the Academy's Proportionate Share of the Net Pension Liability  
School Employees Retirement System (SERS) of Ohio

Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net pension liability	0.00630860%	0.00877270%	0.01196760%	0.01334950%
Academy's proportionate share of the net pension liability	\$ 377,455	\$ 502,429	\$ 715,038	\$ 977,060
Academy's covered payroll	\$ 209,126	\$ 280,000	\$ 396,079	\$ 421,843
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	180.49%	179.44%	180.53%	231.62%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.01033900%	0.00726200%	0.00726200%
\$ 589,953	\$ 367,526	\$ 431,848
\$ 311,259	\$ 211,025	\$ 191,936
189.54%	174.16%	225.00%
69.16%	71.70%	65.52%

**Horizon Science Academy Columbus Elementary**  
Schedule of the Academy's Proportionate Share of the Net Pension Liability  
State Teachers Retirement System (STRS) of Ohio

Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net pension liability	0.01912188%	0.02341448%	0.01904480%	0.01840273%
Academy's proportionate share of the net pension liability	\$ 4,228,689	\$ 5,148,318	\$ 4,524,133	\$ 6,159,948
Academy's covered payroll	\$ 2,199,814	\$ 2,713,614	\$ 2,096,850	\$ 1,960,864
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	192.23%	189.72%	215.76%	314.14%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

See accompanying notes to the required supplementary information.



<u>2016</u>	<u>2015</u>	<u>2014</u>
0.01553165%	0.01518772%	0.01518772%
\$ 4,292,494	\$ 3,694,179	\$ 4,400,482
\$ 1,620,464	\$ 1,551,762	\$ 1,570,692
264.89%	238.06%	280.16%
72.10%	74.70%	69.30%

**Horizon Science Academy Columbus Elementary**  
Schedule of Academy's Pension Contributions  
School Employees Retirement System (SERS) of Ohio

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 29,146	\$ 28,232	\$ 37,800	\$ 55,451
Contributions in relation to the contractually required contribution	<u>(29,146)</u>	<u>(28,232)</u>	<u>(37,800)</u>	<u>(55,451)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 208,186	\$ 209,126	\$ 280,000	\$ 396,079
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 59,058	\$ 41,024	\$ 29,248	\$ 26,564	\$ 27,422	\$ 22,522
<u>(59,058)</u>	<u>(41,024)</u>	<u>(29,248)</u>	<u>(26,564)</u>	<u>(27,422)</u>	<u>(22,522)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 421,843	\$ 311,259	\$ 211,025	\$ 191,936	\$ 203,881	\$ 179,173
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**Horizon Science Academy Columbus Elementary**  
Schedule of Academy's Pension Contributions  
State Teachers Retirement System (STRS) of Ohio

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 360,693	\$ 307,974	\$ 379,906	\$ 293,559
Contributions in relation to the contractually required contribution	<u>(360,693)</u>	<u>(307,974)</u>	<u>(379,906)</u>	<u>(293,559)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 2,576,379	\$ 2,199,814	\$ 2,713,614	\$ 2,096,850
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 274,521	\$ 226,865	\$ 201,729	\$ 204,190	\$ 177,230	\$ 138,106
<u>(274,521)</u>	<u>(226,865)</u>	<u>(201,729)</u>	<u>(204,190)</u>	<u>(177,230)</u>	<u>(138,106)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,960,864	\$ 1,620,464	\$ 1,551,762	\$ 1,570,692	\$ 1,363,308	\$ 1,062,354
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**Horizon Science Academy Columbus Elementary**  
Schedule of the Academy's Proportionate Share of the Net OPEB Liability  
School Employees Retirement System (SERS) of Ohio

Last Four Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability	0.00581320%	0.00836290%	0.01128860%	0.01274572%
Academy's proportionate share of the net OPEB liability	\$ 146,190	\$ 232,009	\$ 302,956	\$ 363,300
Academy's covered payroll	\$ 209,126	\$ 280,000	\$ 396,079	\$ 421,843
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	69.91%	82.86%	76.49%	86.12%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	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.

See accompanying notes to the required supplementary information.

**Horizon Science Academy Columbus Elementary**  
Schedule of the Academy's Proportionate Share of the Net OPEB Liability  
State Teachers Retirement System (STRS) of Ohio

Last Four Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability/asset	0.01912188%	0.02341448%	0.01904480%	0.01840273%
Academy's proportionate share of the net OPEB liability/(asset)	\$ (316,704)	\$ (376,247)	\$ 743,058	\$ 984,183
Academy's covered payroll	\$ 2,199,814	\$ 2,713,614	\$ 2,096,850	\$ 1,960,864
Academy's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.40%	13.87%	35.44%	50.19%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.33%

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

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

See accompanying notes to the required supplementary information.

**Horizon Science Academy Columbus Elementary**  
Schedule of Academy's OPEB Contributions  
School Employees Retirement System (SERS) of Ohio

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 241	\$ 1,539	\$ 3,533	\$ 2,194
Contributions in relation to the contractually required contribution	<u>(241)</u>	<u>(1,539)</u>	<u>(3,533)</u>	<u>(2,194)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 208,186	\$ 209,126	\$ 280,000	\$ 396,079
Contributions as a percentage of covered payroll	0.12%	0.74%	1.26%	0.55%

See accompanying notes to the required supplementary information.



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 3,092	\$ 3,910	\$ 1,664	\$ 949	\$ 1,023	\$ 2,182
<u>(3,092)</u>	<u>(3,910)</u>	<u>(1,664)</u>	<u>(949)</u>	<u>(1,023)</u>	<u>(2,182)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 421,843	\$ 311,259	\$ 211,025	\$ 191,936	\$ 203,881	\$ 179,173
0.73%	1.26%	0.79%	0.49%	0.50%	1.22%

**Horizon Science Academy Columbus Elementary**  
 Schedule of Academy's OPEB Contributions  
 State Teachers Retirement System (STRS) of Ohio

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 2,576,379	\$ 2,199,814	\$ 2,713,614	\$ 2,096,850
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 15,518	\$ 15,707	\$ 13,633	\$ 10,624
-	-	(15,518)	(15,707)	(13,633)	(10,624)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,960,864	\$ 1,620,464	\$ 1,551,762	\$ 1,570,692	\$ 1,363,308	\$ 1,062,354
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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**Horizon Science Academy Columbus Elementary**  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020

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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 changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

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 years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)

**Horizon Science Academy Columbus Elementary**  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020

**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 previously reported for fiscal years 2017-2020.

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

**Horizon Science Academy Elementary School**  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Passed Through to Subrecipients	Expenditures
<b>United States Department of Agriculture</b>				
<i>Passed through the Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	3L70	10.553	\$ -	\$ 100,059
National School Lunch Program	3L60	10.555	-	181,024
Total Child Nutrition Cluster			-	281,083
Total United States Department of Agriculture			-	281,083
<b>United States Department of Education</b>				
<i>Passed through the Ohio Department of Education</i>				
Special Education - Grants to States	3M20	84.027	-	104,700
Special Education - Preschool Grants	3C50	84.173	-	195
6B IDEA Restoration Grants	N/A	84.027A	-	29,621
Total Special Education Cluster			-	134,516
Title I Grants to Local Educational Agencies	3M00	84.010	-	451,618
Improving Teacher Quality State Grants	3Y60	84.367	-	78,655
English Language Acquisition State Grants	3Y70	84.365	-	34,591
Student Support and Academic Enrichment Program	3H10	84.424	-	33,633
Total United States Department of Education			-	733,013
<b>Total Federal Awards Expenditures</b>			<b>\$ -</b>	<b>\$ 1,014,096</b>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**Horizon Science Academy Elementary School**  
 Franklin County  
 Notes to the Schedule of Federal Awards Expenditures  
 For the Fiscal Year Ended June 30, 2020

**NOTE A**

OAKS did not assign pass-through numbers for fiscal year 2020.

**NOTE B**

The schedule includes the federal award activity of the Horizon Science Academy Elementary School under programs of the federal government for the fiscal year ended June 30, 2020 and is prepared in accordance with the accrual basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 US 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 Horizon Science Academy Elementary School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Horizon Science Academy Elementary School.

**NOTE C**

Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

**NOTE D**

CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Academy has not elected to use the 10% de minimis indirect cost rate.

**NOTE E**

The following amounts were transferred to the Schoolwide Building Program Fund based on ODE administrative action and transferability guidelines during fiscal year 2020:

**SCHOOLWIDE POOL**

<b>Fund</b>	<b>CFDA</b>	<b>Transfer In</b>	<b>Transfer Out</b>
Schoolwide Building Program Fund	N/A	\$703,391	
Title I Grants to Local Education Agencies	84.010		451,618
Special Education - Grants to States	84.027		104,700
Special Education - Preschool Grants	84.173		195
Student Support and Academic Enrichment	84.424		33,633
English Language Acquisition State Grants	84.365		34,591
Improving Teacher Quality State Grants	84.367		78,655
<b>Total Schoolwide Pool</b>		<b>\$703,391</b>	<b>\$703,391</b>





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

Horizon Science Academy Elementary School  
Franklin County  
2835 Morse Road  
Columbus, Ohio 43231

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Horizon Science Academy Elementary School, Franklin County, (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 11, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.  
Piketon, Ohio  
December 11, 2020



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

Horizon Science Academy Elementary School  
Franklin County  
2835 Morse Road  
Columbus, Ohio 43231

To the Board of Directors:

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

We have audited Horizon Science Academy Elementary School's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Horizon Science Academy Elementary School's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Horizon Science Academy Elementary School's major federal program.

***Management's Responsibility***

The School's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the School's compliance for the School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Horizon Science Academy Elementary School complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

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

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



BHM CPA Group Inc.  
Piketon, Ohio  
December 11, 2020

**HORIZON SCIENCE ACADEMY ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

Schedule of Findings  
2 CFR § 200.515  
June 30, 2020

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

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

**HORIZON SCIENCE ACADEMY ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

Schedule of Findings  
*2 CFR § 200.515*  
June 30, 2020

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

**None**

**2. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS**

**None**

# OHIO AUDITOR OF STATE KEITH FABER



**HORIZON SCIENCE ACADEMY ELEMENTARY SCHOOL**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/20/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)