



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

HORIZON SCIENCE ACADEMY PRIMARY
FRANKLIN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2019
Fiscal Year Audited Under GAGAS: 2019

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Horizon Science Academy Primary
2899 Morse Road
Columbus, Ohio 43231

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Primary, Franklin County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2018 through June 30, 2019. 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 Primary 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

February 7, 2020

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HORIZON SCIENCE ACADEMY PRIMARY
YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Required Supplementary Information:	
Schedule of Academy Pension Contributions – School Employees Retirement System (SERS) of Ohio	22
Schedule of Academy Pension Contributions – State Teachers Retirement System (STRS) of Ohio	23
Schedule of Academy OPEB Contributions – School Employees Retirement System (SERS) of Ohio	24
Notes to the Required Supplementary Information.....	25
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27

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INDEPENDENT AUDITOR'S REPORT

Horizon Science Academy Primary
Franklin County
2899 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 Primary, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizon Science Academy Primary, Franklin County as of June 30, 2019, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
December 24, 2019

The discussion and analysis of Horizon Science Academy Columbus Primary's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- Total assets were \$249,593.
- Total liabilities were \$363,174.
- Total net position decreased by \$74,081.

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.

Fiscal year 2019 was the Academy's first year of operations. Comparative data will be presented as it becomes available. Table 1 provides net position as of June 30, 2019.

Table 1
Net Position

	2019
<u>Assets</u>	
Current and Other Assets	\$ 106,171
Capital Assets, Net	143,422
Total Assets	249,593
<u>Deferred Outflows of Resources</u>	36,001
<u>Liabilities</u>	363,174
<u>Net Position</u>	
Investment in Capital Assets	143,422
Unrestricted	(221,002)
Total Net Position	\$ (77,580)

Current assets include the Academy's demand deposit account and intergovernmental receivables. Current liabilities include accounts payable due to vendors for goods and services and accrued wages and benefits.

Deferred outflows of resources are reported in accordance with GASB Statement No. 68 and GASB Statement No. 75, see Notes 5 and 6 to the basic financial statements for detail.

Non-current assets include capital assets. The Academy had no long-term obligations.

Over time, net position can serve as a useful indicator of an entity's financial position. The Academy's total liabilities exceeded assets and deferred outflows of resources by \$77,580. Of this total, \$143,422 is invested in capital assets and not available for operations. Unrestricted net position was a deficit of \$221,002 at June 30, 2019.

Fiscal year 2019 was the Academy's first year of operations. Comparative data will be presented as it becomes available. Table 2 shows the changes in net position for the fiscal years 2019.

	2019
<u>Operating Revenues</u>	
Foundation payments	\$ 1,782,676
Classroom fees	2,092
Extracurricular activities	9,816
Other revenue	3,636
Total operating revenues	1,798,220
<u>Operating Expenses</u>	
Salaries	1,079,172
Fringe benefits	214,990
Purchased services	993,296
Materials and supplies	76,407
Depreciation	33,257
Miscellaneous	74,678
Total operating expenses	2,471,800
Operating loss	(673,580)
<u>Nonoperating Revenues (Expenses)</u>	
Restricted grants in aid - federal	296,002
State and other grants	279,770
Interest expense	(1,672)
Donated management fee	25,399
Total nonoperating revenues	599,499
Change in net position	(74,081)
Net position, beginning of year - Note 17	(3,499)
Net position, end of year	\$ (77,580)

Foundation support was \$1,782,676 while Federal grants were \$296,002. The Academy served 260 students in fiscal year 2019.

Foundation support is the primary support of the Academy, comprising 99% of operating revenue and 71% of total revenues. The Academy also received federal grants which represent 12% of total revenue. Net position decreased by \$74,081 during fiscal year 2019.

Capital Assets

At the end of fiscal year 2019, the Academy had \$176,679 invested in equipment (\$143,422 net of accumulated depreciation). Fiscal year 2019 was the Academy's first year of operations. Comparative data will be presented as it becomes available. Table 3 shows capital asset balances at June 30, 2019.

Table 3
Capital Assets

	Balance
	June 30, 2019
Capital Assets, Being Depreciated:	
Equipment Instructional	\$ 151,421
Equipment Office	25,258
Total Capital Assets	176,679
Less: Accumulated Depreciation	(33,257)
Net Capital Assets	\$ 143,422

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

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Begmurat Nepesov, Treasurer, Horizon Science Academy - Primary, 2899 Morse Road, Columbus, OH 43231.

Horizon Science Academy Columbus Primary

Statement of Net Position

June 30, 2019

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 105,313
Intergovernmental receivable	858
Total current assets	<u>106,171</u>

Noncurrent Assets:

Depreciable capital assets, net	<u>143,422</u>
Total Assets	<u>249,593</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension	34,267
OPEB	<u>1,734</u>
Total Deferred Outflows of Resources	<u>36,001</u>

LIABILITIES:

Current Liabilities:

Accounts payable	255,295
Accrued wages and benefits payable	<u>107,879</u>
Total Liabilities	<u>363,174</u>

NET POSITION:

Investment in capital assets	143,422
Unrestricted	<u>(221,002)</u>
Total Net Position	<u>\$ (77,580)</u>

See accompanying notes to the basic financial statements.

Horizon Science Academy Columbus Primary
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

OPERATING REVENUES:

Foundation payments	\$	1,782,676
Classroom fees		2,092
Extracurricular activities		9,816
Other revenue		3,636
		1,798,220

OPERATING EXPENSES:

Salaries		1,079,172
Fringe benefits		214,990
Purchased services		993,296
Materials and supplies		76,407
Depreciation		33,257
Miscellaneous		74,678
		2,471,800

Operating loss **(673,580)**

NONOPERATING REVENUES (EXPENSES):

Restricted grants in aid - federal		296,002
State and other grants		279,770
Interest expense		(1,672)
Donated management fee		25,399
		599,499

Change in net position (74,081)

Net position, beginning of year - Note 17 (3,499)

Net position, end of year **\$ (77,580)**

See accompanying notes to the basic financial statements.

Horizon Science Academy Columbus Primary

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$ 1,782,676
Other cash receipts	15,544
Cash payments to employees for services and benefits	(1,222,284)
Cash payments to suppliers for goods and services	(789,009)
Other cash payment	(74,678)
	<hr/>
Net cash (used in) operating activities	(287,751)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	295,144
State and other grants received	279,770
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Net cash provided by noncapital financing activities	574,914

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on loans	(330,000)
Interest paid on loans	(1,672)
Cash received from loans	320,000
Cash payments for capital acquisitions	(176,679)
	<hr/>
Net cash (used in) capital and related financing activities	(188,351)

Net increase in cash and cash equivalents	98,812
Cash and cash equivalents at beginning of year - Note 16	6,501
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Cash and cash equivalents at end of year	\$ 105,313

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

Operating loss	\$ (673,580)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES

Depreciation	33,257
Donated management fee	25,399

Changes in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:

Increase in accounts payable	255,295
Decrease in accrued wages and benefits payable	107,879
Increase in deferred outflows of resources	(36,001)
	<hr/>
Total adjustments	385,829

Net cash (used in) operating activities	\$ (287,751)
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See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Horizon Science Academy Columbus Primary, (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 1 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 began operations on May 1, 2018 (see Note 17). The Academy was approved for operation under contract with the Buckeye Hope Foundation (the Sponsor) for a period of two years commencing on July 1, 2018.

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 2019, the Academy employed 28 personnel and had 260 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Academy are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Change in Net Positions present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

C. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the 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 2019.

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 fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

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

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

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, 2019, 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**

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 5 and 6 for deferred outflows of resources related to Academy pension and OPEB contributions made in fiscal year 2019.

3. DEPOSITS

At June 30, 2019, the carrying amount of Academy deposits was \$105,313 and the bank balance of Academy deposits was \$118,787. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
Capital Assets, Being Depreciated:				
Equipment Instructional	\$ -	\$ 151,421	\$ -	\$ 151,421
Equipment Office	-	25,258	-	25,258
Total Capital Assets	-	176,679	-	176,679
Less: Accumulated Depreciation	-	(33,257)	-	(33,257)
Net Capital Assets	\$ -	\$ 143,422	\$ -	\$ 143,422

5. DEFINED BENEFIT PENSION PLANS

Fiscal year 2019 was the Academy's first year of operations and when the Academy began making pension contributions to the retirement systems. Therefore, a net pension liability was not applicable for the Academy at the measurement date of June 30, 2018 and was not reported by the Academy at June 30, 2019 or June 30, 2018.

Plan Description - School Employees Retirement System (SERS)

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

5. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$23,422 for fiscal year 2019.

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.

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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

5. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The Academy’s contractually required contribution to STRS was \$10,845 for fiscal year 2019.

Deferred Outflows of Resources Related to Pension

At June 30, 2019, the Academy reported deferred outflows of resources from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Academy contributions subsequent to the measurement date	<u>\$ 23,422</u>	<u>\$ 10,845</u>	<u>\$ 34,267</u>

\$34,267 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, 2020.

6. DEFINED BENEFIT OPEB PLANS

Fiscal year 2019 was the Academy's first year of operations and when the Academy began making OPEB contributions to the retirement systems. Therefore, a net OPEB liability/asset was not applicable for the Academy at the measurement date of June 30, 2018 and was not reported by the Academy at June 30, 2019 or June 30, 2018.

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 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 fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the Academy's surcharge obligation was \$867.

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 \$1,734 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

6. 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

Deferred Outflows of Resources Related to OPEB

At June 30, 2019, the Academy reported deferred outflows of resources from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Academy contributions subsequent to the measurement date	<u>\$ 1,734</u>	<u>\$ -</u>	<u>\$ 1,734</u>

\$1,734 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020.

7. 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 2019, 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 \$2,500 deductible.

B. Workers Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. 100% of this premium was paid for fiscal year 2019.

8. 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%.

9. OPERATING LEASES

On July 1, 2018, the Academy entered into a 5-year lease agreement with HSA Columbus Elementary for the rent of instructional facilities. In the fiscal year 2019, the Academy paid a total of \$264,691 for rent.

10. PURCHASED SERVICES

Purchased service expenses during fiscal year 2019 were as follows:

Purchased Services

<u>Type</u>	<u>Amount</u>
Professional Services	\$ 408,774
Rent and Property Services	356,935
Travel Mileage/Meeting Expense	2,725
Advertising and Communications	11,293
Utility Services	36,650
Contracted Craft or Trade Services	161,595
Other Purchased Services	15,324
Total	\$ 993,296

11. 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 2019, the Academy received grants from State and Federal agencies total of \$575,772.

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. ODE performed such a review on the Academy for fiscal year 2019.

As of the date of this report, adjustments for fiscal year 2019 are finalized. The impact of FTE adjustments does not have a material impact on the 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 2019 have been finalized. The impact of FTE adjustments does not have a material impact on the 2019 financial statements.

12. SPONSORSHIP AGREEMENT

On July 1, 2018, the Academy signed a sponsorship agreement with Buckeye Hope Community Foundation for one year. 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 2019, the Academy compensation to the Sponsor was \$60,122.

13. MANAGEMENT COMPANY AGREEMENT

The Academy contracted with Concepts Schools, Inc. to serve as the Academy's management company. The contract is renewed automatically for additional, successive terms commensurate with the Charter Agreement unless the Academy or the management company decides otherwise. The management contract was amended in fiscal year 2019. According to terms, the School shall automatically transfer ten percent (10%) of the funds received from the State when such funds are immediately available in the School's accounts. In fiscal year 2019 the Academy paid \$212,000 to Concept Schools and the remaining fee balance of \$25,399 was forgiven by Concept Schools, and is reflected in the Statement of Revenues, Expenses and Change in Net Position as donated management fee.

14. 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.

15. FINANCIAL PLAN

The Academy at year-end experienced current liabilities exceeding current assets by \$257,003. Concept Schools, Inc. (the management company) is continually monitoring and assisting the Academy to enhance its financial position.

16. LOANS PAYABLE

The following is a schedule of the loan payable activity during fiscal year 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Concept Schools	\$ 10,000	\$ 20,000	\$ (30,000)	\$ -
HSA Elementary	-	300,000	(300,000)	-
Total	\$ 10,000	\$ 320,000	\$ (330,000)	\$ -

See Note 17 for loan payable balance at June 30, 2018. All loans were repaid in fiscal year 2019.

17. OPERATIONS PRIOR TO FISCAL YEAR

The Academy began operations on May 1, 2018. This activity was incurred prior to the Academy's initial reporting fiscal year which is July 1, 2018 through June 30, 2019. During the period May 1, 2018 through June 30, 2018, the Academy received a \$10,000 loan from Concept Schools and incurred \$3,499 in expenses. The Academy's cash balance and net position at June 30, 2018 was \$6,501 and (\$3,499), respectively.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY'S PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

CURRENT FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 23,422
Contributions in relation to the contractually required contribution	<u>(23,422)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Academy's covered payroll	\$ 173,496
Contributions as a percentage of covered payroll	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note: The Academy began contributing to SERS during fiscal year 2019.

SCHEDULE OF ACADEMY'S PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

CURRENT FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 10,845
Contributions in relation to the contractually required contribution	<u>(10,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Academy's covered payroll	\$ 77,464
Contributions as a percentage of covered payroll	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note: The Academy began contributing to STRS during fiscal year 2019.

SCHEDULE OF ACADEMY'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

CURRENT FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 1,734
Contributions in relation to the contractually required contribution	<u>(1,734)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Academy's covered payroll	\$ 173,496
Contributions as a percentage of covered payroll	1.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note: The Academy began contributing to SERS during fiscal year 2019.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

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 year 2019.

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 2018-2019.

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 year 2019.

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 2019.

(Continued)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of 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 rate 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 (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

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.

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 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 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.



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

Horizon Science Academy Primary
Franklin County
2899 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 Horizon Science Academy Primary, Franklin County, (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 24, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. 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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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 24, 2019

OHIO AUDITOR OF STATE KEITH FABER



HORIZON SCIENCE ACADEMY PRIMARY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2020**