

**STEAM ACADEMY OF  
WARRENSVILLE HEIGHTS  
CUYAHOGA COUNTY, OHIO**

*REGULAR AUDIT*

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
STEAM Academy of Warrensville Heights  
Massa Financial Solution LLC  
219 East Maple Street, Suite 202  
North Canton, Ohio 44720

We have reviewed the *Independent Auditor's Report* of the STEAM Academy of Warrensville Heights, Cuyahoga County, prepared by Rea & Associates, 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 STEAM Academy of Warrensville Heights 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 18, 2021

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**STEAM ACADEMY OF WARRENSVILLE HEIGHTS  
CUYAHOGA COUNTY, OHIO**

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December 28, 2020

To the Board of Directors  
STEAM Academy of Warrensville Heights  
Cuyahoga County, Ohio  
4700 Richmond Road  
Warrensville Heights, Ohio 44131

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

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

### *Management’s Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor’s Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

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

***Emphasis of a Matter***

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As disclosed in Note 17 to the financial statements, the Academy has suffered recurring losses from operations and has a net position deficit that raises substantial doubt about its ability to continue as a going concern. Note 17 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In addition, as described in Note 18 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the Academy. Our opinion is not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the Academy's Proportionate Share of the Net Pension Liability, Schedule of the Academy's Contributions-Pension, Schedule of the Academy's Proportionate Share of the Net OPEB Asset/Liability, and the Schedule of the Academy's Contributions - OPEB* as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Cambridge, Ohio

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## **STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020**

The discussion and analysis of the STEAM Academy of Warrensville Heights' (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Academy's financial performance.

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

### **FINANCIAL HIGHLIGHTS**

Key highlights for fiscal year 2020 are as follows:

- Net position decreased \$205,625.
- Operating revenues accounted for \$1,722,443 of the Academy's total revenues of \$2,083,386.
- Operating expenses accounted for \$2,244,244 of the total expenses of \$2,289,011.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial report consists of three parts; required supplemental information, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all deferred outflows of resources and all liabilities and all deferred inflows of resources are included on the statement of net position. The statement of net position answers the question of how well the Academy performed financially during 2020. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

### **FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

Table 1 provides a summary of the Academy's net position for 2020 compared to 2019:

**Table 1**  
**Statement of Net Position**

<b>Assets:</b>	<b>2020</b>	<b>2019</b>
<i>Current assets:</i>		
Cash and Cash Equivalents	\$ 62,671	\$ 80,222
Intergovernmental Receivable	38,838	17,071
Prepaid Expense	66,043	53,445
<b>Total Current Assets</b>	<b>167,552</b>	<b>150,738</b>
<i>Noncurrent assets:</i>		
Net OPEB Asset	85,592	82,137
Capital Assets, net of Accumulated Depreciation	8,970	16,763
<b>Total Noncurrent Assets</b>	<b>94,562</b>	<b>98,900</b>
<b>Total assets</b>	<b>262,114</b>	<b>249,638</b>
<b>Deferred Outflows of Resources</b>	<b>547,502</b>	<b>692,472</b>
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable, Trade	28,082	46,793
Accounts Payable, Related Party	530,695	612,159
Accrued Expenses	81,435	48,535
Advances Payable	150,000	150,000
<b>Total Current Liabilities</b>	<b>790,212</b>	<b>857,487</b>
<i>Noncurrent liabilities:</i>		
Net Pension Liability	1,400,942	1,274,255
Net OPEB Liability	111,518	73,725
Noncurrent Portion of Long-term Debt	308,615	308,615
<b>Total Noncurrent Liabilities</b>	<b>1,821,075</b>	<b>1,656,595</b>
<b>Total Liabilities</b>	<b>2,611,287</b>	<b>2,514,082</b>
<b>Deferred Inflows of Resources</b>	<b>210,703</b>	<b>234,777</b>
<b>Net Position</b>		
Invested in Capital Assets	8,970	16,763
Unrestricted Net Position	(2,021,344)	(1,823,512)
<b>Total Net Position</b>	<b>\$ (2,012,374)</b>	<b>\$ (1,806,749)</b>

## STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB asset/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 asset/liability to equal the School's proportionate share of each plan's collective:

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

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

There was a significant change in net pension/OPEB liability/asset for the Academy. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the Academy's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension/OPEB liabilities/assets and are described in more detail in their respective notes.

Current liabilities decreased due to payments made on accounts payable which was offset by increases in longer term liabilities due to changes in GASB 68/75 related accruals.

STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

*Statement of Revenues, Expenses and Changes in Net Position* - Table 2 shows the changes in Net Position for fiscal year 2020 and 2019, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. Overall, the increase in Operating Revenues was a result of more students being enrolled over the prior year. There were also corresponding increases across most of the expense categories during fiscal year 2020 due to more students needing to be served and certain expenses being based on a percentage of revenues, which overall were higher compared to the prior year.

**Table 2**  
**Statement of Revenues, Expenses, and Change in Net Position**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues:</b>		
State Aid	\$ 1,718,738	\$ 1,616,026
Miscellaneous	3,705	3,123
Total Operating Revenues	<u>1,722,443</u>	<u>1,619,149</u>
<b>Operating Expenses:</b>		
Purchased Services	2,122,118	2,015,428
Depreciation	7,793	7,793
General Supplies	82,760	87,756
Other Operating Expenses	31,573	27,528
Total Operating Expenses	<u>2,244,244</u>	<u>2,138,505</u>
Operating Loss	(521,801)	(519,356)
<b>Nonoperating Revenues and (Expenses):</b>		
Federal and State Restricted Grants	356,870	363,155
Other Grants	4,073	-
Interest Expense	(44,767)	(40,974)
Net Nonoperating Revenues and (Expenses)	<u>316,176</u>	<u>322,181</u>
<b>Change in Net Position</b>	<u>\$ (205,625)</u>	<u>\$ (197,175)</u>

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSETS**

At the end of fiscal year 2020, the Academy had \$8,970 net invested in capital assets (net of accumulated depreciation) for computers. The following table shows fiscal year 2020 compared to 2019:

Capital Assets at June 30 (Net of Depreciation)

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Computer & Software	\$ 4,898	\$ 10,654	\$ (5,756)
Furniture & Fixtures	4,072	6,109	(2,037)
Net Capital Assets	<u>\$ 8,970</u>	<u>\$ 16,763</u>	<u>\$ (7,793)</u>

For further information regarding the Academy's capital assets, refer to Note 5 of the basic financial statements.

**DEBT**

In May 2015, the Academy entered into an agreement with Charter School Capital to borrow against its future foundation payments. The outstanding balance at the end of fiscal year 2020 was \$150,000. The Academy also had a long-term Notes Payable to Accel Schools in the amount of \$308,615 outstanding at year end. For further information regarding the Academy's debt, refer to Note 6 and Note 7 of the basic financial statements.

**OPERATIONS**

The Academy is a community School and is funded through the State of Ohio Foundation Program. The Academy relies on this, as well as, State and Federal funds as its primary source of revenue. In 2020, the State reduced the per pupil funding to \$5,931.24 due to the economic impacts of COVID-19 to the State economy. This was a reduction of \$88.76 from the previous year. This decrease will also be in effect for fiscal year 2021. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount received in fiscal year 2020 was approximately \$250 per pupil.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions concerning this report, please contact the Academy's Fiscal Officer, C. David Massa of Massa Financial Solutions, LLC, 4700 Richmond Road, Warrensville Heights, OH 44128.



**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**  
**Statement of Net Position**  
**June 30, 2020**

**Assets:**

*Current Assets:*

Cash and Cash Equivalents	\$	62,671
Intergovernmental Receivable		38,838
Prepaid Expense		66,043
<b>Total Current Assets</b>		167,552

*Noncurrent Assets:*

Net OPEB Asset		85,592
Capital Assets, net of Accumulated Depreciation		8,970
<b>Total Non-Current Assets</b>		94,562

**Total Assets**

262,114

**Deferred Outflows of Resources:**

Pension (STRS & SERS)		457,896
OPEB (STRS & SERS)		89,606
<b>Total Deferred Outflows of Resources</b>		547,502

**Liabilities:**

*Current Liabilities:*

Accounts Payable, Trade		28,082
Accounts Payable, Related Party		530,695
Advances Payable		150,000
Accrued Expenses		81,435
<b>Total Current Liabilities</b>		790,212

*Noncurrent Liabilities:*

Net Pension Liability		1,400,942
Net OPEB Liability		111,518
Non Current Portion of Long Term Debt		308,615
<b>Total Noncurrent Liabilities</b>		1,821,075

**Total Liabilities**

2,611,287

**Deferred Inflows of Resources:**

Pension (STRS & SERS)		68,496
OPEB (STRS & SERS)		142,207
<b>Total Deferred Inflows of Resources</b>		210,703

**Net Position:**

Invested in Capital Assets		8,970
Unrestricted Net Position		(2,021,344)
<b>Total Net Position</b>		\$ (2,012,374)

See Accompanying Notes to the Basic Financial Statements

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**

<b>Operating Revenues:</b>	
State Aid	\$ 1,718,738
Miscellaneous	3,705
<b>Total Operating Revenues</b>	<u>1,722,443</u>
 <b>Operating Expenses:</b>	
Purchased Services	2,122,118
Depreciation	7,793
Supplies	82,760
Other Operating Expenses	31,573
<b>Total Operating Expenses</b>	<u>2,244,244</u>
 <b>Operating Income (Loss)</b>	 (521,801)
 <b>Non-Operating Revenues and (Expenses):</b>	
Federal and State Restricted Grants	356,870
Interest Expense	(44,767)
Other Grants	4,073
<b>Net Non-operating Revenues and (Expenses)</b>	<u>316,176</u>
 <b>Change in Net Position</b>	 (205,625)
 <b>Net Position - Beginning of Year</b>	 (1,806,749)
<b>Net Position - End of Year</b>	<u>\$ (2,012,374)</u>

See Accompanying Notes to the Basic Financial Statements

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

State Aid Receipts	\$ 1,718,738
Miscellaneous	3,705
Cash Payments to Suppliers for Goods and Services	<u>(2,034,403)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(311,960)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Federal and State Grant Receipts	335,103
Charter School Capital Proceeds	891,500
Charter School Capital Payments	(891,500)
Charter School Capital Program Fees	(37,052)
Note Payable Interest Payments	(7,715)
Other Grants	<u>4,073</u>
Net Cash Provided By Noncapital Financing Activities	<u>294,409</u>

**Net Increase/(Decrease) in Cash and Cash Equivalents** (17,551)

**Cash and Cash Equivalents - Beginning of the Year** 80,222  
**Cash and Cash Equivalents - Ending of the Year** \$ 62,671

See Accompanying Notes to the Basic Financial Statements

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ (521,801)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Depreciation	7,793
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Net OPEB Asset	(3,455)
(Increase)/ Decrease in Prepaid Expense	(12,598)
(Increase)/ Decrease in Deferred Outflows Pension	193,107
(Increase)/ Decrease in Deferred Outflows OPEB	(48,137)
Increase/ (Decrease) in Net Pension Liability	126,687
Increase/ (Decrease) in Net OPEB Liability	37,793
Increase/(Decrease) in Accounts Payable, Trade	(18,711)
Increase/(Decrease) in Accounts Payable, Related Party	(81,464)
Increase/(Decrease) in Accrued Expenses	32,900
Increase/ (Decrease) in Deferred Inflows Pension	(23,741)
Increase/ (Decrease) in Deferred Inflows OPEB	(333)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ (311,960)</b>

See Accompanying Notes to the Basic Financial Statements

## STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### **NOTE 1 – DESCRIPTION OF ACADEMY**

The STEAM Academy of Warrensville Heights (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in kindergarten through eighth grade. The Academy is independent of any Academy and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy. The Academy is a federally recognized 501(c) (3) nonprofit corporation established pursuant to Ohio Revised Code Chapter 1702.

The Academy was approved for operation for a period of five academic years commencing after July 1, 2013 and ending June 30, 2018 by the Ohio Council of Community Schools (the “Sponsor”) which has subsequently renewed an additional five years to 2023. 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.

The Academy operates under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operate or manage the Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy contracts with Accel Schools for management services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. 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.

***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 a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

***Measurement Focus*** - The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all deferred outflows of resources and all liabilities and all deferred inflows of resources 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 net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Basis of Accounting* - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period 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. Expenses are recognized at the time they are incurred.

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

*Cash and Cash Equivalents* - Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2020.

*Prepaid Items* - The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2020, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

*Capital Assets* - All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements are capitalized. 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.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

<u>Description</u>	<u>Useful Lives</u>
Computers & Software	5 years
Furniture & Equipment	5 years

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2020, there was no net position restricted by enabling legislation. Net position consists of \$8,970 invested in capital assets, net of accumulated depreciation.

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 this definition are reported as non-operating.

Deferred Inflows and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 10 and 11)

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The Academy classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures". The Academy maintains its cash balances at Huntington Bank in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2020, the book amount of the Academy's deposits was \$62,671 and the bank balance was \$62,671.

The Academy had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2020, none of the bank balance was exposed to custodial credit risk.

**NOTE 4 – RECEIVABLES**

At June 30, 2020, the Academy had Intergovernmental Receivables, in the amount of \$38,838. These receivables represent monies due from State Aid and Title I, which was not received as of June 30, 2020.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the period July 1, 2019 to June 30, 2020, was as follows:

	Balance 06/30/19	Additions	Deletions	Balance 06/30/20
Capital Assets:				
Computers & Software	\$ 28,834	\$ -	\$ -	\$ 28,834
Furniture & Equipment	10,181	-	-	10,181
Total Capital Assets	39,015	-	-	39,015
Less Accumulated Depreciation:				
Computers & Software	(18,180)	(5,756)	-	(23,936)
Furniture & Equipment	(4,072)	(2,037)	-	(6,109)
Total Accumulated Depreciation	(22,252)	(7,793)	-	(30,045)
Total Capital Assets, Net	\$ 16,763	\$ (7,793)	\$ -	\$ 8,970

**NOTE 6 – ADVANCES PAYABLE**

During the fiscal year ending 2020, the Academy received working capital advances from Charter School Capital through a receivables purchase agreement. As the Academy receives its monthly State funding, these advances are repaid, however, the Academy may elect to receive future advances from Charter School Capital by entering into additional agreements. The total cost of funding for the year was \$37,052.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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A summary of short-term advances for the Academy at June 30, 2020, is as follows:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020
Charter School Capital	\$ 150,000	\$ 891,500	\$ (891,500)	\$ 150,000

**NOTE 7 – LONG-TERM OBLIGATIONS**

The changes in the Academy’s long-term obligations during fiscal year 2020 were as follows:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due within One Year
Total Pension/OPEB Liability:					
Net Pension Liability	\$ 1,274,255	\$ 126,687	\$ -	\$ 1,400,942	\$ -
Net OPEB Liability	73,725	37,793	-	111,518	-
Total Pension/OPEB Liability	<u>1,347,980</u>	<u>164,480</u>	<u>-</u>	<u>1,512,460</u>	<u>-</u>
Direct Borrowing:					
Accel Schools - Notes Payable	<u>308,615</u>	<u>-</u>	<u>-</u>	<u>308,615</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 1,656,595</u>	<u>\$ 164,480</u>	<u>\$ -</u>	<u>\$ 1,821,075</u>	<u>\$ -</u>

The Academy signed a promissory note in the amount of \$308,615, executed in 2015, payable to Accel Schools, LLC., a related party (see Note 15), to finance outstanding invoices for services and/or reimbursable expenses over a 10-year term at a fixed interest rate of 2.5%. The note is interest only unless the Academy is operating at a surplus. Interest on the note totaled \$7,715 in 2020.

The entire unpaid principal balance, together with any accrued interest and any other unpaid charges or fees here under, shall be due and payable on June 30, 2025 unless after date is agreed to by the parties. Prepayment may occur without any penalties. In the event any default or payment on this note is not made at the time and in the manner required, the Academy agrees to pay any and all costs and expenses which may be incurred by the lender in connection with the enforcement of any of its rights under this note or under any such other instrument, including court costs and reasonable attorney’s fees. In addition, the Lender may increase the interest rate up to 5.00 percentage points over the current interest rate or any lesser amount as permitted by law. Defaults are defined as failing to make timely payments, failure to comply with the management agreement, falsify statements, and dissolution or insolvency.

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Future debt obligations are as follows:

Note Payable Accel Schools		
Fiscal year ending	Principal	Interest
June 30		
2021	\$ -	\$ 7,715
2022	-	7,715
2023	-	7,715
2024	-	7,715
2025	308,615	7,715
Total	<u>\$ 308,615</u>	<u>\$ 38,575</u>

**NOTE 8 – RISK MANAGEMENT**

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 Brown & Brown to provide insurance coverage with the Hartford Casualty Insurance Company and Hanover Fire Insurance Company.

General Liability:	
Each Occurrence	\$ 1,000,000
Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Bodily Injury Limit	1,000,000
Excess/Umbrella Liability:	
Each Occurrence	10,000,000
Aggregate Limit	10,000,000

Settled claims have not exceeded this commercial coverage during the past three years, nor has there been reduction in insurance coverage throughout the year.

STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 – PURCHASED SERVICES**

For the period July 1, 2019 through June 30, 2020, purchased service expenses were as follows:

<u>Purchased Services</u>	<u>Amount</u>
Personnel Services	\$ 1,233,696
Professional Services	412,285
Property Services	261,284
Utilities	67,533
Travel & Meetings	3,933
Communications	35,298
Contractual Trade	103,091
Pupil Transportation	4,998
Total	<u>\$ 2,122,118</u>

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

*Net Pension Liability/Net OPEB Liability (Asset)*

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

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

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

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

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

## STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

*Funding Policy* – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School's contractually required contribution to SERS was \$24,539 for fiscal year 2020.

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

*Plan Description* – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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

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

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

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

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

The School's contractually required contribution to STRS was \$76,840 for fiscal year 2020.

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.00262520%	0.00511151%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.00431350%</u>	<u>0.00516793%</u>	
Change in Proportionate Share	<u><u>0.00168830%</u></u>	<u><u>0.00005642%</u></u>	
Proportionate Share of the Net Pension			
Liability	\$ 258,085	\$ 1,142,857	\$ 1,400,942
Pension Expense	\$ 79,384	\$ 318,048	\$ 397,432

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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At June 30, 2020 the School 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	\$ 6,545	\$ 9,306	\$ 15,851
Changes of assumptions	-	134,251	134,251
Changes in proportion and differences between contributions and proportionate share of contributions	54,943	151,472	206,415
School contributions subsequent to the measurement date	<u>24,539</u>	<u>76,840</u>	<u>101,379</u>
Total Deferred Outflows of Resources	<u>\$ 86,027</u>	<u>\$ 371,869</u>	<u>\$ 457,896</u>

<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 4,946	\$ 4,946
Net difference between projected and actual earnings on pension plan investments	3,314	55,856	59,170
Changes in proportion and differences between contributions and proportionate share of contributions	<u>4,380</u>	<u>-</u>	<u>4,380</u>
Total Deferred Inflows of Resources	<u>\$ 7,694</u>	<u>\$ 60,802</u>	<u>\$ 68,496</u>

\$101,379 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 39,784	\$ 170,155	\$ 209,939
2022	12,353	54,148	66,501
2023	(221)	1,000	779
2024	<u>1,878</u>	<u>8,924</u>	<u>10,802</u>
Total	<u>\$ 53,794</u>	<u>\$ 234,227</u>	<u>\$ 288,021</u>



**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Actuarial Assumptions - SERS

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

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

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

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

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

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent).

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease -6.50%	Current Discount Rate -7.50%	1% Increase -8.50%
School's proportionate share of the net pension liability	\$ 361,668	\$ 258,085	\$ 171,216

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	\$ 1,670,158	\$ 1,142,857	\$ 696,469

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School's surcharge obligation was \$2,410, which is reported as an accrued expense.

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.

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

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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			
Prior Measurement Date	0.00265750%	0.00511151%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.00443450%</u>	<u>0.00516793%</u>	
Change in Proportionate Share	<u>0.00177700%</u>	<u>0.00005642%</u>	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 111,518	\$ (85,592)	\$ 25,926
OPEB Expense	\$ 9,322	\$ (21,044)	\$ (11,722)

At June 30, 2020, the School 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	\$ 1,637	\$ 7,759	\$ 9,396
Changes of assumptions	8,145	1,799	9,944
Net difference between projected and actual earnings on OPEB plan investments	268	-	268
Changes in proportion and differences between contributions and proportionate share of contributions	45,318	22,270	67,588
School contributions subsequent to the measurement date	<u>2,410</u>	<u>-</u>	<u>2,410</u>
Total Deferred Outflows of Resources	<u>\$ 57,778</u>	<u>\$ 31,828</u>	<u>\$ 89,606</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 24,500	\$ 4,355	\$ 28,855
Changes of assumptions	6,248	93,843	100,091
Net difference between projected and actual earnings on OPEB plan investments	-	5,374	5,374
Changes in proportion and differences between contributions and proportionate share of contributions	<u>7,887</u>	<u>-</u>	<u>7,887</u>
Total Deferred Inflows of Resources	<u>\$ 38,635</u>	<u>\$ 103,572</u>	<u>\$ 142,207</u>

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

\$2,410 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 48	\$ (15,272)	\$ (15,224)
2022	3,197	(15,270)	(12,073)
2023	764	(13,116)	(12,352)
2024	5,039	(12,363)	(7,324)
2025	5,147	(16,025)	(10,878)
Thereafter	2,538	302	2,840
Total	\$ 16,733	\$ (71,744)	\$ (55,011)

*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.

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

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

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

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

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



**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

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

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School's proportionate share of the net OPEB liability	\$ 89,349	\$ 111,518	\$ 140,932

  

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School's proportionate share of the net OPEB liability	\$ 135,362	\$ 111,518	\$ 92,560

*Actuarial Assumptions – STRS*

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

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

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

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

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

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

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

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net OPEB asset	\$ 71,176	\$ 85,592	\$ 93,017

  

	1% Decrease (3.13%)	Current Trend Rate (4.13%)	1% Increase (5.13%)
School's proportionate share of the net OPEB asset	\$ 92,454	\$ 85,592	\$ 73,486

**NOTE 12 - CONTINGENCIES**

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 adverse effect on the overall financial position of the Academy at June 30, 2020.

Litigation - There are currently no matters in litigation with the Academy as defendant.

Full-time Equivalency - 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 Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

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

As of the date of this report, all ODE adjustments have been completed.

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 – BUILDING LEASES**

The Academy entered into a 66-month lease agreement in July 2013, to lease a building from Richmond Road LLC., as successor-in-interest to Overlook Court II, L.P., for the use of the building and grounds as a school facility. The original lease term ends on December 31, 2018, but is renewable for 2 subsequent 5-year terms. Under the lease agreement, the Academy is responsible for payment of all utilities, repairs and maintenance. Total rent paid for the fiscal year ending June 30, 2020 was \$228,983.

Future minimum lease obligations are as follows:

Fiscal year ending	Amount
June 30	
2021	\$ 224,874
2022	229,371
2023	233,959
Total	<u>\$ 688,204</u>

**NOTE 14 – SPONSOR**

The Academy was approved for operation under a contract with its sponsor, Ohio Council of Community Schools, for a period of five academic years commencing July of 2013. As part of this contract, the Sponsor is entitled to 3% of the total state foundation funds. Total amount due and paid for fiscal year 2020 was \$48,756.

**NOTE 15 – MANAGEMENT COMPANY AND MANAGEMENT COMPANY EXPENSES**

The Academy entered into an agreement with Accel Schools, a management company, to provide legal, financial, and other management support services for fiscal year 2020. The agreement was for a period of five years beginning July 1, 2015. Management fees are calculated as 12.5% of the Academy's State Revenue plus a \$20,000 fixed fee for federal grants management. The total amount due from the Academy for the fiscal year ending June 30, 2020 was \$233,131 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Changes in Net Position.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred by Accel Schools. These expenses include rent, salaries of Accel employees working in at the Academy and other costs related to providing education and administrative services. The total amount billed to the Academy inclusive of management fees during fiscal year 2020 was \$1,234,224.

The following table is a summary of the management company expenses during fiscal year 2020:

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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STEAM Academy of Warrensville Heights	Regular Instruction (1100 Function Codes)	Special Instruction (1200 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
<b>Direct Expenses:</b>					
Salaries & Wages (100 Object Codes)	\$ 500,632	\$ 69,261	\$ 175,520	\$ -	\$ 745,413
Employees' Benefits (200 Object Codes)	105,340	(2,798)	16,542	-	119,084
Professional & Technical Services (410 Object Codes)	-	-	28,736	-	28,736
Supplies (500 Object Codes)	-	-	9,652	-	9,652
Other Direct Costs (All Other Object Codes)	-	-	21,745	-	21,745
<b>Indirect Expenses:</b>					
Overhead	-	-	227,043	-	227,043
<b>Total Expenses</b>	<b>\$ 605,972</b>	<b>\$ 66,463</b>	<b>\$ 479,238</b>	<b>\$ -</b>	<b>\$ 1,151,673</b>

Accel Schools charges expenses benefiting more than one school (i.e. overhead) are pro-rated based on full time equivalent (FTE) head count as of June 30, 2020 by each school it manages.

**NOTE 16 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

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

The following statements are postponed by one year:

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

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

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

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

**NOTE 17 - MANAGEMENT PLAN**

For fiscal year 2020, the Academy had a net position deficit of \$(2,012,374), which is inclusive of the impact of pension/OPEB liabilities and related accruals. The Academy's net deficit in fiscal year 2020 increased from the \$(1,806,749) net deficit in fiscal 2019. Enrollment increased in fiscal year 2020 to 217, up from 203 in fiscal year 2019. The Academy's ability to maintain a stable administrative and instructional team along with active advertising via print, radio, mailings and through referrals of current parents is anticipated to help produce the likelihood of future enrollment growth leading to surpluses and provide an opportunity for the academy to recover from its prior deficits.

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 18 – SUBSEQUENT EVENT**

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of the School's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Six Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's Proportion of the Net Pension Liability	0.00431350%	0.00262520%	0.00299500%	0.00300910%	0.00273500%	0.00239200%
School's Proportionate Share of the Net Pension Liability	\$ 258,085	\$ 150,350	\$ 178,943	\$ 220,238	\$ 129,728	\$ 121,058
School's Covered Payroll	\$ 147,978	\$ 96,215	\$ 88,686	\$ 178,664	\$ 68,437	\$ 70,216
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.41%	156.26%	201.77%	123.27%	189.56%	172.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information



**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of the School's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Six Fiscal Years (1)

	2020	2019	2018	2017	2016	2015
School's Proportion of the Net Pension Liability	0.00516793%	0.00511151%	0.00492836%	0.00438822%	0.00332275%	0.00230238%
School's Proportionate Share of the Net Pension Liability	\$ 1,142,857	\$ 1,123,905	\$ 1,170,743	\$ 1,468,870	\$ 918,311	\$ 560,018
School's Covered Payroll	\$ 606,736	\$ 581,093	\$ 541,814	\$ 410,871	\$ 346,671	\$ 253,338
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.36%	193.41%	216.08%	357.50%	264.89%	221.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of School Contributions - Pension  
 School Employees Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 24,539	\$ 19,977	\$ 12,989	\$ 12,416	\$ 25,013	\$ 9,020	\$ 9,732
Contributions in Relation to the Contractually Required Contribution	<u>(24,539)</u>	<u>(19,977)</u>	<u>(12,989)</u>	<u>(12,416)</u>	<u>(25,013)</u>	<u>(9,020)</u>	<u>(9,732)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 175,279	\$ 147,978	\$ 96,215	\$ 88,686	\$ 178,664	\$ 68,437	\$ 70,216
Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of School Contributions - Pension  
 State Teachers Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 76,840	\$ 84,943	\$ 81,353	\$ 75,854	\$ 57,522	\$ 48,534	\$ 32,934
Contributions in Relation to the Contractually Required Contribution	<u>(76,840)</u>	<u>(84,943)</u>	<u>(81,353)</u>	<u>(75,854)</u>	<u>(57,522)</u>	<u>(48,534)</u>	<u>(32,934)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 548,857	\$ 606,736	\$ 581,093	\$ 541,814	\$ 410,871	\$ 346,671	\$ 253,338
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of the School's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
School's Proportion of the Net OPEB Liability	0.0044345%	0.0026575%	0.0030517%	0.0030585%
School's Proportionate Share of the Net OPEB Liability	\$ 111,518	\$ 73,725	\$ 81,900	\$ 87,180
School's Covered Payroll	\$ 147,978	\$ 96,215	\$ 88,686	\$ 178,664
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	75.36%	76.63%	92.35%	48.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of the School's Proportionate Share of the Net OPEB Asset/Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's Proportion of the Net OPEB Liability/Asset	0.00516793%	0.00511151%	0.00492836%	0.00438822%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (85,592)	\$ (82,137)	\$ 197,287	\$ 234,683
School's Covered Payroll	\$ 606,736	\$ 581,093	\$ 541,814	\$ 410,871
School's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.11%	-14.13%	36.41%	57.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	174.74%	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of School Contributions - OPEB  
 School Employees Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution (2)	\$ 2,410	\$ 3,512	\$ 1,891	\$ 1,984	\$ 1,587	\$ 561	\$ 262
Contributions in Relation to the Contractually Required Contribution	<u>(2,410)</u>	<u>(3,512)</u>	<u>(1,891)</u>	<u>(1,984)</u>	<u>(1,587)</u>	<u>(561)</u>	<u>(262)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 175,279	\$ 147,978	\$ 96,215	\$ 88,686	\$ 178,664	\$ 68,437	\$ 70,216
OPEB Contributions as a Percentage of Covered Payroll (2)	1.37%	2.37%	1.97%	2.24%	0.89%	0.82%	0.37%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

Required Supplementary Information  
 Schedule of School Contributions - OPEB  
 State Teachers Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,533
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	(2,533)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 548,857	\$ 606,736	\$ 581,093	\$ 541,814	\$ 410,871	\$ 346,671	\$ 253,338
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020**

**NOTE 1 - NET PENSION LIABILITY**

*Changes in Assumptions - SERS*

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

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

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

*Changes in Assumptions – STRS*

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

*Changes in Benefit Terms - SERS*

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

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

*Changes in Benefit Terms - STRS*

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



**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020**

**NOTE 2 - NET OPEB LIABILITY (ASSET)**

*Changes in Assumptions – SERS*

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

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

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

Pre-Medicare

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

Medicare

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

*Changes in Assumptions – STRS*

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

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

**STEAM ACADEMY OF WARRENSVILLE HEIGHTS - CUYAHOGA COUNTY, OHIO**

**Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020**

*Changes in Benefit Terms - SERS*

There have been no changes to the benefit provisions.

*Changes in Benefit Terms – STRS*

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

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

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

December 28, 2020

To the Board of Directors  
STEAM Academy of Warrensville Heights  
Cuyahoga County, Ohio  
4700 Richmond Rd.  
Warrensville Heights, Ohio 44131

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the STEAM Academy of Warrensville Heights, Cuyahoga County, Ohio (the “Academy”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated December 28, 2020, in which we noted the Academy has suffered recurring losses from operations and has a net position deficit that raises substantial doubt about its ability to continue as a going concern. In addition, we noted the financial impact of COVID-19 and ensuing emergency measures will continue to impact subsequent periods of the Academy.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Kea & Associates, Inc.*

Cambridge, Ohio

# OHIO AUDITOR OF STATE KEITH FABER



**STEAM ACADEMY OF WARRENSVILLE HEIGHTS**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/2/2021**

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)