OHIO AUDITOR OF STATE
KEITH FABER

CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
JUNE 30, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Cincinnati Technology Academy
Hamilton County
3800 Glenway Avenue
Cincinnati, Ohio 45205

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Cincinnati Technology Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Academy, as of June 30, 2019, and the respective changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2021, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio
August 26, 2021

The management's discussion and analysis of Cincinnati Technology Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Total assets increased by $236,638 which represents a 54 percent increase from 2018.
- Total deferred outflows decreased by $413,923, which represent a 36 percent decrease from 2018.
- Total liabilities decreased by $174,738, which represents a 7 percent decrease from 2018.
- Total deferred inflows increased by $120,521, which represents a 48 percent increase from 2018.
- Total revenues increased by $50,839, which represents a 2 percent increase from 2018.
- Total expenses increased by $709,551, which represents a 41 percent increase from 2018.
- Net position increased by $123,068, which represents a 10 percent increase from 2018.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred inflows of resources, liabilities, and deferred outflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. This statement reports the Academy's net position, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the Academy's net position for fiscal year 2019 compared with fiscal year 2018.

(Table 1)
Net Position

	2019	2018	Change
Assets			
Current Assets	$ 524,574	$ 344,214	$ 180,360
Capital Assets, Net	95,763	96,469	(706)
Net OPEB Asset	56,984	-	56,984
Total Assets	677,321	440,683	236,638

Deferred Outflows of Resources			
Pension	673,323	1,141,290	(467,967)
OPEB	72,891	18,847	54,044
Total Deferred Outflows of Resources	746,214	1,160,137	(413,923)
Liabilities			
Current Liabilities	92,535	79,230	13,305
Long-Term Liabilities	2,259,090	2,447,133	(188,043)
Total Liabilities	2,351,625	2,526,363	(174,738)
Deferred Inflows of Resources			
Pension	193,559	138,781	54,778
OPEB	179,469	113,726	65,743
Total Deferred Inflows of Resources	373,028	252,507	120,521
Net Position			
Net Investment in Capital Assets	95,763	96,469	(706)
Restricted	82,643	14,960	67,683
Unrestricted	(1,479,524)	(1,289,479)	(190,045)
Total Net Position	$(1,301,118)	$(1,178,050)	$(123,068)

The net pension liability (NPL) is the largest single liability reported by the Academy at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Table 2 shows the changes in net position for fiscal year ended June 30, 2019 compared to fiscal year 2018.

(Table 2)
Change in Net Position

	2019	2018	Change
Operating Revenues			
Foundation	$ 1,811,407	$1,812,693	$ (1,286)
Non-Operating Revenues			
Federal and State	487,477	435,470	52,007
Interest	355	160	195
Miscellaneous	1,321	1,398	(77)
Total Revenues	2,300,560	2,249,721	50,839

Operating Expenses			
Salaries and Wages	1,017,894	935,568	82,326
Fringe Benefits	563,436	110,404	453,032
Purchased Services	700,355	573,391	126,964
Material and Supplies	63,427	55,323	8,104
Capital Outlay	17,232	1,240	15,992
Depreciation	40,070	19,322	20,748
Other Expenses	21,214	18,829	2,385
Total Expenses	2,423,628	1,714,077	709,551
Change in Net Position	(123,068)	535,644	(658,712)
Net Position, Beginning of Year	(1,178,050)	(1,713,694)	535,644
Net Position, End of Year	$(1,301,118)	$(1,178,050)	$(123,068)

Total revenues increased slightly in comparison with the prior fiscal year. This increase is the result of an increase in federal and state funding.

Total expenses increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in fringe benefits compared to fiscal year 2018. This increase is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments, while still greater than expected.

Capital Assets

The Academy has $95,763 invested in capital assets net of accumulated depreciation. See Note 6 of the notes to the basic financial statements for more detail information on the Academy's capital assets.

Contacting the Academy

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Cincinnati Technology Academy, 3800 Glenway Ave, Cincinnati, Ohio, 45205.

CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Assets	
Current Assets	
Cash	$ 358,261
Intergovernmental Receivable	166,313
Total Current Assets	524,574
Non-Current Assets	
Net OPEB Asset	56,984
Capital Assets, Net	95,763
Total Non-Current Assets	152,747
Total Assets	677,321
Deferred Outflows of Resources	
Pension	673,323
OPEB	72,891
Total Deferred Outflows of Resources	746,214
Liabilities	
Current Liabilities	
Accounts Payable	12,324
Accrued Wages & Benefits	69,495
Intergovernmental Payable	10,716
Total Current Liabilities	92,535
Long-Term Liabilities	
Due in More Than One Year:	
Net Pension Liability (See Note 8)	1,779,366
Net OPEB Liability (See Note 9)	479,724
Total Long-Term Liabilities	2,259,090
Total Liabilities	2,351,625
Deferred Inflows of Resources	
Pension	193,559
OPEB	179,469
Total Deferred Inflows of Resources	373,028
Net Position	
Net Investment in Capital Assets	95,763
Restricted	82,643
Unrestricted	(1,479,524)
Total Net Position	$ (1,301,118)

See accompanying notes to the basic financial statements

CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating Revenues	
State Foundation	$ 1,811,407
Total Operating Revenues	1,811,407
Operating Expenses	
Salaries	1,017,894
Fringe Benefits	563,436
Purchased Services	700,355
Materials and Supplies	63,427
Capital Outlay	17,232
Depreciation	40,070
Miscellaneous	21,214
Total Operating Expenses	2,423,628
Operating Loss	(612,221)
Non-Operating Revenues	
Federal and State Grants	487,477
Interest Income	355
Miscellaneous	1,321
Total Non-Operating Revenues	489,153
Change in Net Position	(123,068)
Net Position at Beginning of Year	(1,178,050)
Net Position at End of Year	$ (1,301,118)

See accompanying notes to the basic financial statements

CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Increase / Decrease in Cash	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 1,813,153
Cash Payments to Employees for Services & Benefits	(1,283,473)
Cash Payments to Suppliers for Goods and Services	(797,363)
Net Cash Used in Operating Activities	(267,683)
Cash Flows from Noncapital Financing Activities	
Cash Received from Grants - Federal and State Grants	390,039
Cash Received from Miscellaneous Activities	1,321
Cash Received from Interest	355
Net Cash Provided by Noncapital Financing Activities	391,715
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Acquisitions	(39,364)
Net Cash Used in Capital and Related Financing Activities	(39,364)
Net Increase in Cash	84,668
Cash, Beginning of Year	273,593
Cash, End of Year	$ 358,261
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	$ (612,221)
Adjustments to Reconcile Operating Loss Net Cash Used in Operating Activities	
Depreciation	40,070
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
(Increase) Decrease in Intergovernmental Receivable Related to ODE FTE Final Review	1,746
(Increase) Decrease in Net OPEB Asset	(56,984)
(Increase) Decrease in Deferred Outflows	413,923
Increase (Decrease) in Accounts Payable	4,865
Increase (Decrease) in Accrued Wages	2,825
Increase (Decrease) in Intergovernmental Payable	5,615
Increase (Decrease) in Net Pension Liability	(107,033)
Increase (Decrease) in OPEB Liability	(81,010)
Increase (Decrease) in Deferred Inflows	120,521
Total Adjustments	344,538
Net Cash Used in Operating Activities	$ (267,683)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Cincinnati Technology Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Twelve. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Corporation of Ohio (the Sponsor) for a period of two years commencing July 1, 2013. On May 21, 2019 the Academy signed an agreement with the same sponsor effective until June 30, 2021. 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 minimum five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy participates in one jointly governed organization. This organization is presented in Note 14 to the basic financial statements. This organization is META Solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation – Enterprise Accounting

The Academy's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Change in Net Position, and a Statement of Cash Flows. The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets its cash flow need.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process
Community schools must adopt a spending plan under Ohio Revised Code, Section 5705.391. The contract between the Academy and its sponsor, The Educational Resource Consultants of Ohio, require the academy to comply with a financial plan that details an estimated budget for each year of the contract.

D. Cash
All monies received by the Academy are maintained in a demand deposit account. Total cash for all funds is presented as “cash” on the accompanying statement of net position.

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

F. Capital Assets and Depreciation
Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess 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. Depreciation of furniture and equipment and leasehold improvements are computed using the straight-line method over the estimated useful life of three to eight years.

G. Intergovernmental Revenues
The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amount awarded under the above program for the 2019 fiscal year totaled $1,811,407.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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. Amount awarded under the above programs for the 2019 fiscal year totaled $487,477.

H. Deferred Outflows / Deferred Inflows 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 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 plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

In addition to liabilities, the statements of net 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 as an inflow of resources (revenue) until then. For the Academy, deferred inflows of resources are reported on the statement of net position include pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. Net Position
Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Investment in capital assets, if any, consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the Academy at year-end represents unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2019, the Academy has implemented GASB Statement No. 83, *"Certain Asset Retirement Obligations"* and GASB Statement No. 88, *"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".*

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Academy.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Academy.

4. DEPOSITS

At June 30, 2019, the carrying amount of the Academy's deposits was $358,261. The bank balance was $370,283. Based on the criteria described in GASB Statement No.40, "Deposits and Investment Risk Disclosures" as of June 30, 2019, $120.283 was exposed to credit risk while the remaining $250,000 of the Academy's bank balance was covered by the Federal Deposit Insurance Corporation.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the Academy and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

4. DEPOSITS (Continued)

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

5. RECEIVABLES

Receivables at June 30, 2019 primarily consisted of intergovernmental (e.g. foundation and federal grants) receivables. All intergovernmental receivable are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

Title I-A	$116,783
Title II-A	19,713
Title IV-A	6,526
Title VI-B	8,255
IDEA	1,118
Child Nutrition Programs	13,466
FTE Review	452
Total	$166,313

6. CAPITAL ASSETS

A summary of the Academy's capital asset activity for the fiscal year ended June 30, 2019 follow:

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Depreciable Capital Assets:				
Leasehold Improvements	$52,459	$ 22,086	$ -	$ 74,545
Furniture & Equipment	108,528	17,278	-	125,806
Total Depreciable Capital Assets	160,987	39,364	-	200,351
Less Accumulated Depreciation:				
Leasehold Improvements	(19,981)	(14,909)	-	(34,890)
Furniture & Equipment	(44,537)	(25,161)	-	(69,698)
Total Accumulated Depreciation	(64,518)	(40,070)	-	(104,588)
Total Capital Assets, Net	$96,469	$ (706)	$ -	$ 95,763

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2019, the Academy contracted with Argonaut Insurance Agency for property and general liability insurance. General Liability, provided by Argonaut Insurance Company contains a $1,000,000 single occurrence limit and a $3,000,000 aggregate. There is a $2,000 deductible.

7. RISK MANAGEMENT (Continued)

There have been no settlements paid in excess of insurance coverage, nor has insurance coverage been significantly reduced in the past three years.

B. Workers Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total gross payroll by a factor that is calculated by the State.

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy 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 to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

8. DEFINED BENEFIT PENSION PLANS (Continued)

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.

The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The Academy's contractually required contribution to SERS was $84,605 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (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. 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

8. DEFINED BENEFIT PENSION PLANS (Continued)

age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and 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 is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. 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 DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

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, 2019, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $54,137 for fiscal year 2019.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Academy's employer allocation percentage 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:

8. DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01745420%	0.00354621%	
Prior Measurement Date	0.01628200%	0.00384583%	
Change in Proportionate Share	0.00117220%	-0.00029962%	
Proportionate Share of the Net Pension Liability	$ 999,634	$ 779,732	$ 1,779,366
Pension Expense	$ 314,566	$ 239,888	$ 554,454

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

At June 30, 2019 the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 54,826	$ 17,996	$ 72,822
Changes of Assumptions	22,573	138,183	160,756
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	99,569	201,434	301,003
School Contributions Subsequent to the Measurement Date	84,605	54,137	138,742
Total Deferred Outflows of Resources	$ 261,573	$ 411,750	$ 673,323
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 5,093	$ 5,093
Net Difference between Projected and Actual Earnings on Pension Plan Investments	27,698	47,279	74,977
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	22,694	90,795	113,489
Total Deferred Inflows of Resources	$ 50,392	$ 143,167	$ 193,559

8. DEFINED BENEFIT PENSION PLANS (Continued)

$138,742 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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:			
2020	$ 147,384	$ 232,297	$ 379,681
2021	20,493	25,430	45,923
2022	(32,805)	(21,916)	(54,721)
2023	(8,496)	(21,365)	(29,861)
	$ 126,576	$ 214,446	$ 341,022

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.

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, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

The long-term return expectation for the Pension Plan 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 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 26-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 pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	$ 1,408,060	$ 999,634	$ 657,196

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

8. DEFINED BENEFIT PENSION PLANS (Continued)

Post-retirement mortality rates are based on 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; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 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 pension liability was 7.45 percent as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net Pension Liability	$ 1,138,696	$ 779,732	$ 475,918

9. POSTEMPLOYMENT BENEFITS

Net OPEB Asset/Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care

9. POSTEMPLOYMENT BENEFITS (Continued)

Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. 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 2019, the Academy's surcharge obligation was $6,496.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was $9,630 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB asset/liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability /(Asset):			
Current Measurement Date	0.01729190%	0.00354621%	
Prior Measurement Date	0.01530270%	0.00384583%	
Change in Proportionate Share	0.00198920%	-0.00029962%	

9. POSTEMPLOYMENT BENEFITS (Continued)

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability/(Asset)	$ 479,724	$ (56,984)	$ 422,740
OPEB Expense	$ 10,689	$ (127,354)	$ (116,665)

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 7,831	$ 6,656	$ 14,487
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	48,774	0	48,774
Academy Contributions Subsequent to the Measurement Date	9,630	0	9,630
Total Deferred Outflows of Resources	$ 66,235	$ 6,656	$ 72,891
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 3,320	$ 3,320
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	721	6,510	7,231
Changes of Assumptions	43,098	77,644	120,742
Changes in Proportion and Differences between Academy Contributions and Proportionate Share of Contributions	27,623	20,553	48,176
Total Deferred Inflows of Resources	$ 71,442	$ 108,027	$ 179,469

$9,630 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (24,219)	$ (18,224)	$ (42,443)
2021	(16,623)	(18,224)	(34,847)
2022	7,429	(18,226)	(10,797)
2023	7,736	(16,744)	(9,008)
2024	7,687	(16,224)	(8,537)
Thereafter	3,153	(13,729)	(10,576)
	$ (14,837)	$ (101,371)	$ (116,208)

9. POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 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 long-term expected rate of return on plan 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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target 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 %	

9. POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. he projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$ 582,107	$ 479,724	$ 398,656

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability	$ 387,049	$ 479,724	$ 602,442

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, 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
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

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

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

9. POSTEMPLOYMENT BENEFITS (Continued)

with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period 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, 2018. 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 as of June 30, 2018. 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, 2018.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/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. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	$ (48,841)	$ (56,984)	$ (63,828)

	1% Decrease	Current Trend Rate	1% Increase
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	$ (63,442)	$ (56,984)	$ (50,426)

10. LONG-TERM OBLIGATIONS

The changes in the Academy's long-term obligations during fiscal year 2019 were as follows:

	Principal Outstanding 7/1/2018	Additions	Reductions	Principal Outstanding 6/30/2019	Amount Due in One Year
Net Pension Liability:					
STRS	$ 913,585	$ -	$ 133,853	$ 779,732	$ -
SERS	972,814	26,820	-	999,634	-
Total Net Pension Liability	1,886,399	26,820	133,853	1,779,366	-
Net OPEB Liability:					
STRS	150,050	-	150,050	-	-
SERS	410,684	69,040	-	479,724	-
Total Net OPEB Liability	560,734	69,040	150,050	479,724	-
Total Long-Term Liabilities	$2,447,133	$ 95,860	$ 283,903	$2,259,090	$ -

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences
The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Cincinnati Technology Academy Board of Education. All full time employees accumulate up to three sick days each year. All full time Administrative personnel are granted ten vacation days to be used during summer recess.

B. Insurance Benefits
The Academy has contracted with a private carrier to provide medical and dental insurance for its eligible employees. The Academy pays 100% of the monthly premium for eligible employees only.

12. OPERATING LEASE / RELATED PARTY TRANSACTIONS

On August 4, 2013, the Academy entered a lease for an initial term of one (1) year lease with Deborah Conners for classroom space at 3800 Glenway Ave., Cincinnati, Ohio. The initial lease is from August 04, 2013 thru July 31, 2015. This lease may be renewed for five (5) additional one (1) year terms. Deborah Conners is the mother of the Academy's Superintendent. The Academy paid Deborah Conners $90,000 during fiscal year 2019.

In addition to the related party transaction identified above, the following related party transactions were noted:

- The Assistant Superintendent, Christy Cifers and Superintendent, Dr. Roger Connors are married.
- The Superintendent's sister, Lisa Bloemker, serves as an Administrator Assistant/Enrollment Secretary and niece, Sara Bloemker serves as a Reading/Intervention Aid.
- The Assistant Superintendent's sisters, Rebecca Spahni serves on the Governing Board of the Academy, and Victoria Cifers serves as a teacher.

13. PURCHASED SERVICES

For the fiscal year ended June 30, 2019, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	$ 309,095
Property Services	165,646
Meeting	5,444
Communication	23,269
Utilities	19,962
Contracted Services (Food Service)	154,072
Pupil Transportation	2,310
Other	20,557
Total Purchased Services	$ 700,355

14. JOINTLY GOVERNED ORGANIZATIONS

<u>META Solutions – Dayton</u>
The Academy is a participant in the META Solutions, which is a computer consortium. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among schools.

Payments to META Solutions are made from the General Fund. The Academy paid META Solutions $7,714 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

15. CONTINGENCIES

<u>A. Grants</u>
The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2019, if applicable, cannot be determined at this time.

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 have been finalized. FTE adjustments on the fiscal year 2019 financial statements for Academy were deemed immaterial.

15. CONTINGENCIES (Continued)

In addition, the Academy's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 have been finalized. The impact on the fiscal year 2019 financial statements for Academy, related to fee calculation changes necessary with this contract, is immaterial.

16. SUBSEQUENT EVENTS

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 may impact subsequent periods of the Academy. Due to the dynamic environment and change in fiscal policies, the exact impact on the Academy's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

Cincinnati Technology Academy
Hamilton County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	2019	2018	2017	2016	2015
School Employees Retirement System (SERS)					
Academy's Proportion of the Net Pension Liability	0.01745420%	0.01628200%	0.01707640%	0.01342790%	0.00732100%
Academy's Proportionate Share of the Net Pension Liability	$ 999,634	$ 972,814	$ 1,249,835	$ 766,209	$ 370,512
Academy's Covered Payroll	$ 537,704	$ 545,886	$ 530,329	$ 429,401	$ 214,870
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.91%	178.21%	235.67%	178.44%	172.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%
State Teachers Retirement System (STRS)					
Academy's Proportion of the Net Pension Liability	0.00354621%	0.00384583%	0.00410436%	0.00395563%	0.00300476%
Academy's Proportionate Share of the Net Pension Liability	$ 779,732	$ 913,585	$ 1,373,853	$ 1,093,220	$ 730,862
Academy's Covered Payroll	$ 403,143	$ 422,800	$ 431,857	$ 412,700	$ 330,615
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.41%	216.08%	318.13%	264.89%	221.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%

(1) Information prior to 2015 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Cincinnati Technology Academy
Hamilton County, Ohio
Required Supplementary Information
Schedule of the Academy's Contributions - Pension
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)						
Contractually Required Contribution	$ 84,605	$ 72,590	$ 76,424	$ 74,246	$ 56,595	$ 29,781
Contributions in Relation to the Contractually Required Contribution	(84,605)	(72,590)	(76,424)	(74,246)	(56,595)	(29,781)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's Covered Payroll	$ 626,704	$ 537,704	$ 545,886	$ 530,329	$ 429,401	$ 214,870
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
State Teachers Retirement System (STRS)						
Contractually Required Contribution	$ 54,137	$ 56,440	$ 59,192	$ 60,460	$ 57,778	$ 42,980
Contributions in Relation to the Contractually Required Contribution	(54,137)	(56,440)	(59,192)	(60,460)	(57,778)	(42,980)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 386,693	$ 403,143	$ 422,800	$ 431,857	$ 412,700	$ 330,615
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

Cincinnati Technology Academy
Hamilton County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability
Last Three Fiscal Years (1)

	2019	2018	2017
School Employees Retirement System (SERS)			
Academy's Proportion of the Net OPEB Liability	0.01729190%	0.01530270%	0.01721175%
Academy's Proportionate Share of the Net OPEB Liability	$ 479,724	$ 410,684	$ 490,598
Academy's Covered Payroll	$ 537,704	$ 545,886	$ 530,329
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.22%	75.23%	92.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)			
Academy's Proportion of the Net OPEB Liability/(Asset)	0.00354621%	0.00384583%	0.00410436%
Academy's Proportionate Share of the Net OPEB Liability/(Asset)	$ (56,984)	$ 150,050	$ 219,502
Academy's Covered Payroll	$ 403,143	$ 422,800	$ 431,857
Academy's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.13%	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

See accompanying notes to the required supplementary information.

Cincinnati Technology Academy
Hamilton County, Ohio
Required Supplementary Information
Schedule of the Academy's Contributions - OPEB
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)						
Contractually Required Contribution (1)	$ 9,630	$ 10,186	$ 2,698	$ 8,309	$ 2,799	$ 347
Contributions in Relation to the Contractually Required Contribution	(9,630)	(10,186)	(2,698)	(8,309)	(2,799)	(347)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's Covered Payroll	$ 626,704	$ 537,704	$ 545,886	$ 530,329	$ 429,401	$ 214,870
OPEB Contributions as a Percentage of Covered Payroll (1)	1.54%	1.89%	0.49%	1.57%	0.65%	0.16%
State Teachers Retirement System (STRS)						
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,306
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	0	(3,306)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
School's Covered Payroll	$ 386,693	$ 403,143	$ 422,800	$ 431,857	$ 412,700	$ 330,615
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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 Benefit Terms - SERS

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 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 - STRS

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

Note 2 - Net OPEB Liability/(Asset)

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare

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

Medicare

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

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS

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.

OHIO AUDITOR OF STATE
KEITH FABER

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

Cincinnati Technology Academy
Hamilton County
3800 Glenway Avenue
Cincinnati, Ohio 45205

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Cincinnati Technology Academy, Hamilton County, (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 26, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

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

Academy*'s Response to Findings*

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

August 26, 2021

SCHEDULE OF FINDINGS
JUNE 30, 2019

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

FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Our audit identified the following financial statement errors:

- Pension expense was understated $171,743.
- Deferred Outflows was overstated $171,743.

During the preparation of the Academy's financial statements in accordance with generally accepted accounting principles (GAAP), the Academy recorded GAAP entries to report pension expense and deferred outflows related to pension. The Academy did not properly calculate pension expense and deferred outflows related to pension that resulted in the errors above.

The Academy has corrected the financial statements to address the above errors.

Failure to accurately prepare the financial statements 1) reduces the accountability over the Academy's funds, 2) reduces the Board's ability to monitor financial activity and make informed decisions, 3) increases the likelihood that monies will be misappropriated and not detected and 4) increases the likelihood that the financial statements will be misstated.

The Academy and its accounting firm, when applicable, should accurately calculate and report amounts, including pension expense and deferred outflows, in accordance with generally accepted accounting principles.

Officials' Response:

The Board reviews the financial statements on a monthly basis, and the independent Treasurer hired by the Board reviews the financial statements prepared by an outside CPA firm before they are submitted to AOS's Hinkle System.

This Finding concerns the reporting of the Academy's Net Pension Liability ("NPL") as required by GASB 68, which became effective for financial statements for periods beginning after June 15, 2014. Under GASB 68, the Academy's proportionate share of the collective net pension liability for SERS and STRS must be reported as part of the annual audit. In accordance with AOS Bulletin 2015-006, this amount is not required to be reported on the financial statements because it involves a liability due in more than one year. Consequently, the Academy's Treasurer is not obligated to calculate or report the NPL as part of the Academy's financial activity throughout the fiscal year.

FINDING NUMBER 2019-001
(Continued)

Rather, since the NPL is a complicated calculation done once each year, the Academy engaged an independent CPA firm to calculate the NPL and prepare the Academy's annual Generally Accepted Accounting Principles (GAAP) financial statements and notes disclosures based on the standards of both GAAP and the Governmental Accounting Standards Board (GASB). This was to ensure the effective monitoring and accuracy of its accounting and financial reporting of the Academy's financial activity.

The independent CPA firm that completed the FY2019 compilation report made a mistake and acknowledged it after reviewing the AOS concerns regarding the computation of the Pension expense and Deferred Outflows. Apparently, a CPA firm employee misread a table used to calculate the NPL. The CPA firm has since corrected the financial statements and notes disclosures as requested by the AOS.

The error here had nothing to do with the Academy's day-to-day financial activity and the Academy took the necessary precautions to ensure that the NPL would be calculated correctly by hiring an outside CPA firm. Short of hiring a second CPA firm to check the work of the first firm, there is nothing more the Academy's management could have done to guard against human error. For the future the Academy selected a new independent CPA firm to complete the GAAP report.

The Treasurer will stress to all future CPA firms the importance of double checking all computations related to the Academy's financial activity prior to submitting the Academy's financial reports.

While the Board accepts responsibility for the error, this NPL error had no impact on the Academy's day-to-day financial activity or the decisions made by the Board. The Board will continue to rely on its Treasurer and outside CPA firms to produce error free financial statements.

OHIO AUDITOR OF STATE
KEITH FABER

CINCINNATI TECHNOLOGY ACADEMY

HAMILTON 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 9/16/2021