**CINCINNATI ACHIEVEMENT ACADEMY**
**HAMILTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2021**

OHIO AUDITOR OF STATE
**KEITH FABER**

**CINCINNATI ACHIEVEMENT ACADEMY**
**HAMILTON COUNTY**
**JUNE 30, 2021**

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OHIO AUDITOR OF STATE
KEITH FABER

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# INDEPENDENT AUDITOR'S REPORT

Cincinnati Achievement Academy
Hamilton County
5555 Little Flower Avenue
Cincinnati, Ohio 45239

To the Board of Directors:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Cincinnati Achievement Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School, as of June 30, 2021, and the 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 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2022, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio
October 5, 2022

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The Management's Discussion and Analysis of the Cincinnati Achievement Academy's (formerly known as Southwest Ohio Preparatory School) (the School's) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

## Financial Highlights

Key financial highlights for the School are as follows:

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $825,325 (negative net position).

- At fiscal year-end, the School's total assets decreased $218,481 and total liabilities decreased $495,411 in the same period.

- The School had an operating loss of $954,120 during the fiscal year.

- The School's Paycheck Protection Program (PPP) loan was fully forgiven in fiscal year 2021 for $115,200.

## Reporting the School's Financial Activities

*Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows*

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement 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.

The statement of net position reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the School is meeting the cash flow needs of its operations.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension/OPEB liability/asset.

**Financial Analysis**

Table 1 provides a summary of the School's net position for 2021 and 2020:

**(Table 1)**
**Statement of Net Position**

| | 2021 | 2020 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $ 290,949 | $ 441,462 | $ (150,513) |
| Net OPEB Asset | 39,772 | 67,459 | (27,687) |
| Capital Assets, net | 50,772 | 91,053 | (40,281) |
| *Total Assets* | 381,493 | 599,974 | (218,481) |
| **Deferred Outflows** | 805,673 | 1,099,314 | (293,641) |
| **Liabilities** | | | |
| Current Liabilities | 539,075 | 626,262 | (87,187) |
| Long Term Liabilities | 935,037 | 1,343,261 | (408,224) |
| *Total Liabilities* | 1,474,112 | 1,969,523 | (495,411) |
| **Deferred Inflows** | 538,379 | 346,322 | 192,057 |
| **Net Position** | | | |
| Investment in Capital Assets | 50,772 | 91,053 | (40,281) |
| Restricted | 131,910 | 404,762 | (272,852) |
| Unrestricted | (1,008,007) | (1,112,372) | 104,365 |
| *Total Net Position* | $ (825,325) | $ (616,557) | $ (208,768) |

Current Assets decreased as a result of the timing of receipt of federal grants at year end resulting in a decrease of intergovernmental receivable. The net pension and net OPEB asset/liabilities and related deferred inflows and outflows of resources fluctuated significantly in comparison with the prior year fiscal year-end. Long-term liabilities also decreased from forgiveness of debt from Paycheck Protection Program. Table 2 provides a summary of the School's change in net position for 2021 and 2020:

**(Table 2)**
**Change in Net Position**

| | 2021 | 2020 | Change |
|---|---|---|---|
| Operating Revenue | $ 1,033,812 | $ 764,352 | $ 269,460 |
| Non-Operating Revenue | 745,352 | 744,452 | 900 |
| Total Revenue | 1,779,164 | 1,508,804 | 270,360 |
| Operating Expenses | 1,987,932 | 1,771,974 | 215,958 |
| Change in Net Position | $ (208,768) | $ (263,170) | $ 54,402 |

Operating revenue increased in fiscal year 2021 due to an increase in foundation revenue resulting from an increase in enrollment from 84 students in 2020 to 130 students in 2021. The increase in total expenses is attributed to the increased costs to educate additional students.

## Capital Assets

At fiscal year-end, the School had $50,722 invested in capital assets. This balance represents the amount in which the ending balance of $220,020 exceeded accumulated depreciation of $169,248. See Note 6 of the basic financial statements for additional details.

## Debt

At fiscal year-end, the School had a line of credit of $95,000. For more information, see Note 7 to the basic financial statements.

## Current Financial Issues

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 have impacted the current period and may continue to impact subsequent periods of the School.

## Contacting the School's Financial Management

This financial report is designed to provide a general overview of the finances of the Cincinnati Achievement Academy and to show the School's accountability for the monies 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 the Treasurer of Cincinnati Achievement Academy, 5555 Little Flower Avenue, Cincinnati, Ohio 45239.

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**Cincinnati Achievement Academy**
**Hamilton County, Ohio**
*Statement of Net Position*
*June 30, 2021*

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash & Cash Equivalents | $ | 157,256 |
| Grant Funding Receivable | | 131,910 |
| Prepaid Insurance | | 1,783 |
| *Total Current Assets* | | 290,949 |
| Noncurrent Assets | | |
| Net OPEB Asset | | 39,772 |
| Capital Assets, net | | 50,772 |
| Total Noncurrent Assets | | 90,544 |
| **Total Assets** | | 381,493 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension | | 584,096 |
| OPEB | | 221,577 |
| **Total Deferred Outflows of Resources** | | 805,673 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts Payable | | 353,139 |
| Accrued Expenses | | 53,888 |
| Line of Credit Payable | | 95,000 |
| Intergovernmental Payable | | 37,048 |
| *Total Current Liabilities* | | 539,075 |
| Long Term Liabilities | | |
| Net Pension Liability | | 844,455 |
| Net OPEB Liability | | 90,582 |
| *Total Long Term Liabilities* | | 935,037 |
| **Total Liabilities** | | 1,474,112 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension | | 433,820 |
| OPEB | | 104,559 |
| **Total Deferred Inflows of Resources** | | 538,379 |
| **NET POSITION** | | |
| Investment In Capital Assets | | 50,772 |
| Restricted | | 131,910 |
| Unrestricted | | (1,008,007) |
| **Total Net Position** | $ | (825,325) |

See accompanying notes to the basic financial statements.

**Cincinnati Achievement Academy**
**Hamilton County, Ohio**
*Statement of Revenues, Expenses, and Changes in Net Position*
*For the Fiscal Year Ended June 30, 2021*

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Foundation Payments | $ | 1,028,871 |
| Casino Revenue | | 4,941 |
| **Total Operating Revenues** | | 1,033,812 |
| **OPERATING EXPENSES** | | |
| Fringe Benefits | | 305,062 |
| Purchased Services | | 1,353,572 |
| Supplies and Materials | | 237,156 |
| Depreciation | | 40,281 |
| Other Expenses | | 51,861 |
| **Total Operating Expenses** | | 1,987,932 |
| **Operating Income (Loss)** | | (954,120) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Federal and State Grants | | 595,935 |
| Forgiveness of Loan - PPP | | 115,200 |
| Other | | 34,217 |
| **Total Non-Operating Revenues** | | 745,352 |
| **Change in Net Position** | | (208,768) |
| **Net Position Beginning of Year** | | (616,557) |
| **Net Position End of Year** | $ | (825,325) |

See accompanying notes to the basic financial statements.

**Cincinnati Achievement Academy**
**Hamilton County, Ohio**
*Statement of Cash Flows*
*For the Fiscal Year Ended June 30, 2021*

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash Received From State Aid | $ 1,033,812 |
| Cash Payments For Personal Services | (38,570) |
| Cash Payments For Goods And Services | (1,614,109) |
| Other Cash Payments | (47,391) |
| Net Cash Provided by (Used For) Operating Activities | (666,258) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Cash Received From Federal and State Grants | 868,787 |
| Cash Payments on Loan | (109,937) |
| Cash Received From Other Non-Operating Sources | 34,217 |
| Net Cash Provided by Noncapital Financing Activities | 793,067 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 126,809 |
| Cash and Cash Equivalents at Beginning of Year | 30,447 |
| Cash and Cash Equivalents at End of Year | $ 157,256 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** | |
| Operating Income (Loss) | $ (954,120) |
| **ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** | |
| Depreciation | 40,281 |
| Changes in Assets, Liabilities, and Deferred Outflows/Inflows: | |
| Prepaids | 4,470 |
| Deferred Outflows of Resources | 293,641 |
| Deferred Inflows of Resources | 192,057 |
| Net OPEB Asset | 27,687 |
| Net Pension/OPEB Liability | (293,024) |
| Accounts Payable | (21,169) |
| Accrued Interest Payable | (2,212) |
| Intergovernmental Payable | 16,213 |
| Accrued Wages and Benefits | 29,918 |
| Total Adjustments | 287,862 |
| Net Cash Provided by (Used For) Operating Activities | $ (666,258) |
| **NON-CASH FINANCING ACTIVITIES** | |
| Forgiveness of Loan - Paycheck Protection Program | 115,200 |

See accompanying notes to the basic financial statements.

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## NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Cincinnati Achievement Academy (formerly known as Southwest Ohio Preparatory School) (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to provide for educational, literary, scientific and related teaching services of all kinds. The School, 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School operates under the direction of at least five, but not more than nine, directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's one instructional/support facility by 7 non-certified and 12 certificated full-time teaching personnel who provide services to 130 students.

The School signed an agreement with St. Aloysius Orphanage (Sponsor) to operate the School through June 30, 2023. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School contracts with Educational Empowerment Group, LLC (EEG, LLC) for most of its functions (see Note 14).

The School also entered into a service agreement with Northeast Ohio Network for Educational Technology (NEOnet) for technology-related services. NEOnet was established as a jointly governed organization that was formed July 1, 1995. NEOnet was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to improve administrative and instructional functions of member districts. NEOnet has since been restructured and organized as a council of governments (COG) under Ohio Revised Code 3301.075 and Chapter 167. The new COG is called the Metropolitan Regional Service Council (the Council). The Council is self-supporting and conducts its fiscal services in house with a licensed treasurer.

The Council employs an Executive Director who works cooperatively with a seven-member Board of Directors consisting of four superintendents, the ESC superintendent, one member of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEOnet are located at 700 Graham Rd., Cuyahoga Falls, Ohio 44221.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

***Basis of Presentation***

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

***Measurement Focus***

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each part gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

***Budgetary Process***

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

***Capital Assets***

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of five hundred dollars. The School 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|---|---|
| Land Improvements | 10 years |
| Building and Improvements | 25 years |
| Furniture, Fixtures, and Equipment | 3-5 years |
| Vehicles | 7 years |

***Cash and Cash Equivalents***

Investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. All monies received by the School are maintained in a demand deposit account.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond fiscal year-end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year which services are consumed.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions and OPEB are explained in Note 10 and Note 11.

In addition to liabilities, the statement of financial position will sometimes 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(s) and will not be recognized as an inflow of resources (revenue) until that time. These deferred inflows of resources related to pensions and OPEB are explained in Note 10 and Note 11.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation and related payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

***Estimates***

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

***Pensions/Other Postemployment Benefits (OPEB)***

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

## NOTE 3 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61,* certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and GASB Statement No. 98*, The Annual Comprehensive Financial Report.*

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

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School.

GASB Statement No. 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of GASB Statement No. 98 did not have an effect on the financial statements of the School.

**NOTE 4 – DEPOSITS**

Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2021, consisted of grant funding receivable arising from state and federal grants. All receivables are considered collectible in full.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Depreciable Capital Assets | | | | |
| Furniture, Fixtures, and Equipment | $ 220,020 | | $ - | $ 220,020 |
| Total Depreciable Capital Assets | 220,020 | - | - | 220,020 |
| Less Accumulated Depreciation: | | | | |
| Furniture, Fixtures, and Equipment | (128,967) | (40,281) | - | (169,248) |
| Total Accumulated Depreciation | (128,967) | (40,281) | - | (169,248) |
| Depreciable Capital Assets, Net | $ 91,053 | $ (40,281) | $ - | $ 50,772 |

**NOTE 7 – LONG TERM OBLIGATIONS**

The changes in the School's long-term obligations during the fiscal year are as follows:

| | **Beginning Balance** | **Additions** | **Deletions** | **Ending Balance** | **Due Within One Year** |
|---|---|---|---|---|---|
| Direct Borrowing: | | | | | |
| Line of Credit | $ 204,937 | $ - | $ (109,937) | $ 95,000 | $ 95,000 |

In August 2017, the School entered into a line of credit with the Mangen Family Foundation. The loan carries an interest rate of 3 percent. This was due in full in a prior fiscal year; however, as permitted in the agreement, the School is making payments as cash flow permits.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on March 27, 2020 in response to COVID-19. The Paycheck Protection Program (PPP) was formed as part of the CARES Act. The PPP allows certain companies to apply for aid through forgivable loans. In fiscal year 2020, the School entered into a loan payable agreement with a bank under PPP. The unsecured note has a principal amount of $115,200 maturing in May 2022. This note was fully forgiven by Small Business Administration (SBA) during fiscal year 2021.

## NOTE 8 – OPERATING LEASE

On July 1, 2017, School entered into a lease for classroom space at 5555 Little Flower Avenue, Cincinnati, Ohio 45239. The lease is for a term of ten years commencing on July 1, 2017 and ending on June 30, 2027. The lease agreement contained required payments of $11,007 per month. Operating lease payments to St. Therese during the fiscal year totaled $132,089.

The following is a schedule of the future payments required under the operating lease as of June 30:

| Year Ended | Payments |
|---|---|
| June 30, 2022 | $ 147,785 |
| June 30, 2023 | 147,785 |
| June 30, 2024 | 147,785 |
| June 30, 2025 | 147,785 |
| June 30, 2026 | 147,785 |
| June 30, 2027 | 147,780 |
| Total | $ 886,705 |

## NOTE 9 – RISK MANAGEMENT

***Property and Liability Insurance***

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School contracted with Cincinnati Insurance Company and Illinois National Insurance Company for commercial property liability, employee dishonesty liability, school leader's legal liability, cyber liability, general umbrella liability, and general liability.

Coverages are as follows:

| | |
|---|---|
| Commercial Property | $ 500,000 |
| Employee Dishonesty | 500,000 |
| School Leader's Legal Liability | 1,000,000 |
| Commercial Umbrella: | |
| Per occurrence | 5,000,000 |
| Total per year | 5,000,000 |
| General Liability: | |
| Per occurrence | 1,000,000 |
| Total per year | 2,000,000 |

Settlement amounts did not exceed coverage amounts in the past year three fiscal years and there was no significant reduction in coverage from the prior year.

***Worker's Compensation***

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor that is calculated by the State.

## NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire 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<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School's contractually required contribution to SERS was $19,293 for fiscal year 2021.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive 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 is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after 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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $58,155 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.00448790% | 0.00226321% | |
| Prior Measurement Date | 0.00384030% | 0.00407298% | |
| Change in Proportionate Share | 0.00064760% | -0.00180977% | |
| Proportionate Share of the Net Pension Liability | $ 296,839 | $ 547,616 | $ 844,455 |
| Pension Expense | $ 109,960 | $ 143,998 | $ 253,958 |

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

*This space intentionally left blank.*

At June 30, 2021 the School 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 | $ 576 | $ 1,227 | $ 1,803 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 18,843 | 26,629 | 45,472 |
| Changes of Assumptions | - | 29,398 | 29,398 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 41,144 | 388,831 | 429,975 |
| School Contributions Subsequent to the Measurement Date | 19,293 | 58,155 | 77,448 |
| **Total Deferred Outflows of Resources** | $ 79,856 | $ 504,240 | $ 584,096 |
| | | | |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ - | $ 3,502 | $ 3,502 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | - | 430,318 | 430,318 |
| **Total Deferred Inflows of Resources** | $ - | $ 433,820 | $ 433,820 |

$77,448 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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: | | | |
| 2022 | $ 32,418 | $ 93,751 | $ 126,169 |
| 2023 | 14,393 | 84,353 | 98,746 |
| 2024 | 7,854 | (103,606) | (95,752) |
| 2025 | 5,898 | (62,233) | (56,335) |
| | $ 60,563 | $ 12,265 | $ 72,828 |

***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.

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, 2020, are presented below:

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

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | 1.85 % |
| US Stocks | 22.50 | 5.75 |
| Non-US Stocks | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| Total | 100.00 % | |

***Discount Rate*** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ 406,633 | $ 296,839 | $ 204,720 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

| | |
|---|---|
| Inflation | 2.50 percent |
| Acturial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| 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 |
| Cost-of-Living Adjustments | 0.00 percent |

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

Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is 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 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 % | |

*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, 2020. 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, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

***Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table represents the School's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ 779,710 | $ 547,616 | $ 350,936 |

## NOTE 11 - DEFINED BENEFIT OPEB PLANS

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. 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 2021, the School's surcharge obligation was $1,791.

***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 were discontinued effective January 1, 2021. 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, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability (asset) was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability (Asset): | | | |
| Current Measurement Date | 0.00416800% | 0.00226300% | |
| Prior Measurement Date | 0.00388000% | 0.00407300% | |
| Change in Proportionate Share | 0.00028800% | -0.00181000% | |
| Proportionate Share of the Net OPEB Liability (Asset) | $ 90,582 | $ (39,772) | |
| OPEB Expense | $ 19,006 | $ 26,636 | $ 45,642 |

At June 30, 2021, the School 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 | $ 1,189 | $ 2,550 | $ 3,739 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 1,021 | 1,393 | 2,414 |
| Changes of Assumptions | 15,441 | 657 | 16,098 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | 73,494 | 124,041 | 197,535 |
| School Contributions Subsequent to the Measurement Date | 1,791 | - | 1,791 |
| **Total Deferred Outflows of Resources** | $ 92,936 | $ 128,641 | $ 221,577 |
| | | | |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $ 46,069 | $ 7,922 | $ 53,991 |
| Changes of Assumptions | 2,282 | 37,779 | 40,061 |
| Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions | - | 10,507 | 10,507 |
| **Total Deferred Inflows of Resources** | $ 48,351 | $ 56,208 | $ 104,559 |

$1,791 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. 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: | | | |
| 2022 | $ 12,458 | $ 18,725 | $ 31,183 |
| 2023 | 12,531 | 19,670 | 32,201 |
| 2024 | 12,518 | 20,003 | 32,521 |
| 2025 | 6,616 | 20,205 | 26,821 |
| 2026 | (115) | (3,825) | (3,940) |
| Thereafter | (1,214) | (2,345) | (3,559) |
| | $ 42,794 | $ 72,433 | $ 115,227 |

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

| | |
|---|---|
| Inflation | 3.00 percent |
| Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate | |
| Measurement Date | 2.45 percent |
| Prior Measurement Date | 3.13 percent |
| Single Equivalent Interest Rate | |
| Measurement Date | 2.63 percent, net of plan investment expense, including price inflation |
| Prior Measurement Date | 3.22 percent, net of plan investment expense, including price inflation |
| Health Care Cost Trend Rate | |
| Pre-Medicare | 7.00 percent - 4.75 percent |
| Medicare | 5.25 percent - 4.75 percent |

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

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

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

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 | 2.00 % | 1.85 % |
| US Stocks | 22.50 | 5.75 |
| Non-US Stocks | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| Total | 100.00 % | |

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

***Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability | $ 110,873 | $ 90,582 | $ 74,455 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability | $ 71,328 | $ 90,582 | $ 116,335 |

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

| | | |
|---|---|---|
| Inflation | 2.50 percent | |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65 | |
| Payroll Increases | 3.00 percent | |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation | |
| Discount Rate of Return | 7.45 percent | |
| Health Care Cost Trend Rates | | |
| Medical | Initial | Ultimate |
| Pre-Medicare | 5.00 percent | 4.00 percent |
| Medicare | -6.69 percent | 4.00 percent |
| Prescription Drug | | |
| Pre-Medicare | 6.50 percent | 4.00 percent |
| Medicare | 11.87 percent | 4.00 percent |

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

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

The actuarial assumptions used in the June 30, 2020 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 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 % | |

*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, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

***Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability (Asset) | $ (34,604) | $ (39,772) | $ (44,157) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School's Proportionate Share of the Net OPEB Liability (Asset) | $ (43,885) | $ (39,772) | $ (34,763) |

***Benefit Term Changes since the Prior Measurement Date*** There were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

## NOTE 12 - SPONSORSHIP FEES

The sponsor contract states that the School shall pay to the Sponsor the amount of three percent (3%) of the total state funds received each year, in consideration for the time, organization, oversight, fees and costs of the Sponsor contract. Such fees are paid to the Sponsor monthly. The School incurred $29,945 in sponsorship fees to St. Aloysius.

## NOTE 13 – PURCHASED SERVICES

During the fiscal year ended June 30, 2021, purchased service expenses for services rendered by various vendors were as follows:

| | |
|---|---|
| Professional & Technical Services | $ 1,063,772 |
| Property Services | 155,706 |
| Sponsor Fees | 29,945 |
| Communications | 17,211 |
| Utilities | 14,405 |
| Food Service | 72,533 |
| Total | $ 1,353,572 |

## NOTE 14 – AGREEMENT WITH EDUCATIONAL EMPOWERMENT GROUP, LLC

Effective July 1, 2019, the School entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The term of the Agreement with EEG, LLC commences on July 1, 2019. Upon expiration of this initial term, the agreement shall be automatically renewed for an additional three years, which is through June 30, 2023, unless one party notifies the other party no later than three months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to EEG, LLC. EEG, LLC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay EEG, LLC a monthly continuing fee of 14 percent of the School's "Qualified gross revenues", as defined in the Agreement. The continuing fee is paid to EEG, LLC based on the qualified gross revenues.

The School had purchased services for the year ended June 30, 2021, to EEG, LLC, of $881,938. EEG, LLC will be responsible for procuring the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the school or reimbursed to EEG, LLC.

## NOTE 15 - CONTINGENCIES

### *Grants*

The School 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.

The effect of any such disallowed claims on the overall financial position of the School at June 30, 2021, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

### *School Foundation*

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform a review on the School for fiscal year 2021.

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

In addition, the School's contract with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2021 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

## NOTE 16 - MANAGEMENT COMPANY EXPENSES

As of June 30, 2021 (most recent information available), Educational Empowerment, LLC and its affiliates incurred the following expenses on behalf of the School:

| Cincinnati Achievement Academy | Regular Instruction (1100 Function codes) | Special Instruction (1200 Function codes) | Support Services (2000 Function Codes) | Non-Instructional (3000 through 7000 Function Codes) | Total |
|---|---|---|---|---|---|
| *Direct expenses:* | | | | | |
| Salaries & wages (100 object codes) | $ 312,389 | $ 18,710 | $ 308,514 | $ 17,825 | $ 657,438 |
| Employees' benefits (200 object codes) | - | - | - | 5,696 | 5,696 |
| Professional & technical services (410 object codes) | - | - | - | 4,549 | 4,549 |
| Supplies (500 object codes) | - | - | - | 16,985 | 16,985 |
| Other direct costs (All other object codes) | - | - | - | 57,450 | 57,450 |
| | | | | | |
| Overhead | - | - | - | 156,714 | 156,714 |
| | | | | | |
| **Total expenses** | **$ 312,389** | **$ 18,710** | **$ 308,514** | **$ 264,142** | **$ 903,755** |

Overhead charges are assigned to the School based on a percentage of full time equivalent head count. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, marketing and communications.

## NOTE 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2021, the School received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan

Act, passed by Congress on March 11, 2021. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. The impact on the School's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

## NOTE 18 – SUBSEQUENT EVENT

For fiscal year 2022, community school foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | |
| School's Proportion of the Net Pension Liability | 0.00448790% | 0.00384030% | 0.00217550% |
| School's Proportionate Share of the Net Pension Liability | $ 296,839 | $ 229,772 | $ 124,595 |
| School's Covered Payroll | $ 163,163 | $ 126,821 | $ 62,786 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 181.93% | 181.18% | 198.44% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.55% | 70.85% | 71.36% |
| ***State Teachers Retirement System (STRS)*** | | | |
| School's Proportion of the Net Pension Liability | 0.00226321% | 0.00407298% | 0.00522124% |
| School's Proportionate Share of the Net Pension Liability | $ 547,616 | $ 900,715 | $ 1,148,033 |
| School's Covered Payroll | $ 273,136 | $ 461,679 | $ 643,110 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 200.49% | 195.10% | 178.51% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.50% | 77.40% | 77.30% |

(1) Information prior to 2019 is not available.

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

**Cincinnati Achievement Academy**
**Hamilton County, Ohio**
*Required Supplementary Information*
*Schedule of the School's Contributions - Pension*
*Last Four Fiscal Years (1)*

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| Contractually Required Contribution | $ 19,293 | $ 22,027 | $ 17,121 | $ 8,476 |
| Contributions in Relation to the Contractually Required Contribution | (19,293) | (22,027) | (17,121) | (8,476) |
| Contribution Deficiency (Excess) | $ - | $ 0 | $ 0 | $ 0 |
| School's Covered Payroll | $ 137,807 | $ 163,163 | $ 126,821 | $ 62,786 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 13.50% | 13.50% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| Contractually Required Contribution | $ 58,155 | $ 38,239 | $ 64,635 | $ 90,035 |
| Contributions in Relation to the Contractually Required Contribution | (58,155) | (38,239) | (64,635) | (90,035) |
| Contribution Deficiency (Excess) | $ - | $ 0 | $ 0 | $ 0 |
| School's Covered Payroll | $ 415,393 | $ 273,136 | $ 461,682 | $ 643,110 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

(1) Information prior to 2018 is not available.

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | |
| School's Proportion of the Net OPEB Liability | 0.00416800% | 0.00388000% | 0.00221100% |
| School's Proportionate Share of the Net OPEB Liability | $ 90,582 | $ 97,574 | $ 61,350 |
| School's Covered Payroll | $ 163,164 | $ 126,821 | $ 62,786 |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 55.52% | 76.94% | 97.71% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 18.17% | 15.57% | 13.57% |
| ***State Teachers Retirement System (STRS)*** | | | |
| School's Proportion of the Net OPEB Liability (Asset) | 0.00226300% | 0.00407300% | 0.00522100% |
| School's Proportionate Share of the Net OPEB Liability (Asset) | $ (39,772) | $ (67,459) | $ (83,900) |
| School's Covered Payroll | $ 273,136 | $ 461,682 | $ 643,110 |
| School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | -14.56% | -14.61% | -13.05% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 182.10% | 174.70% | 176.00% |

(1) Information prior to 2019 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 Achievement Academy**
**Hamilton County, Ohio**
*Required Supplementary Information*
*Schedule of the School's Contributions - OPEB*
*Last Four Fiscal Years (2)*

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| ***School Employees Retirement System (SERS)*** | | | | |
| Contractually Required Contribution (1) | $ 1,791 | $ 364 | $ 2,742 | $ 1,528 |
| Contributions in Relation to the Contractually Required Contribution | (1,791) | (364) | (2,742) | (1,528) |
| Contribution Deficiency (Excess) | $ - | $ 0 | $ 0 | $ 0 |
| School's Covered Payroll | $ 137,807 | $ 163,163 | $ 126,821 | $ 62,786 |
| OPEB Contributions as a Percentage of Covered Payroll (1) | 1.30% | 0.22% | 2.16% | 2.43% |
| ***State Teachers Retirement System (STRS)*** | | | | |
| Contractually Required Contribution | $ - | $ 0 | $ 0 | $ 0 |
| Contributions in Relation to the Contractually Required Contribution | $ - | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | $ - | $ 0 | $ 0 | $ 0 |
| School's Covered Payroll | $ 415,393 | $ 273,136 | $ 461,682 | $ 643,110 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Includes surcharge
(2) Information prior to 2018 is not available.

See accompanying notes to the required supplementary information.

## NOTE 1 - NET PENSION LIABILITY

***Changes in Assumptions - SERS***

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

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

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

***Changes in Assumptions – STRS***

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

***Changes in Benefit Terms - SERS***

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

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

***Changes in Benefit Terms - STRS***

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

## NOTE 2 - NET OPEB LIABILITY (ASSET)

***Changes in Assumptions – SERS***

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

Municipal Bond Index Rate:

| | |
|---|---|
| Fiscal year 2021 | 2.45 percent |
| Fiscal year 2020 | 3.13 percent |
| Fiscal year 2019 | 3.62 percent |
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |

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

| | |
|---|---|
| Fiscal year 2021 | 2.63 percent |
| Fiscal year 2020 | 3.22 percent |
| Fiscal year 2019 | 3.70 percent |
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

Pre-Medicare

| | |
|---|---|
| Fiscal year 2021 | 7.00 percent initially, decreasing to 4.75 percent |
| Fiscal year 2020 | 7.00 percent initially, decreasing to 4.75 percent |
| Fiscal year 2019 | 7.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2018 | 7.50 percent initially, decreasing to 4.00 percent |

Medicare

| | |
|---|---|
| Fiscal year 2021 | 5.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2020 | 5.25 percent initially, decreasing to 4.75 percent |
| Fiscal year 2019 | 5.375 percent initially, decreasing to 4.75 percent |
| Fiscal year 2018 | 5.50 percent initially, decreasing to 5.00 percent |

***Changes in Assumptions – STRS***

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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 - SERS***

There have been no changes to the benefit provisions.

***Changes in Benefit Terms – STRS***

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

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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 Achievement Academy
Hamilton County
5555 Little Flower Avenue
Cincinnati, Ohio 45239

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati Achievement Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 5, 2022. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

Keith Faber
Auditor of State
Columbus, Ohio
October 5, 2022

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**June 30, 2021**

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2020-001 | Financial Reporting | Fully Corrected | None |



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OHIO AUDITOR OF STATE
**KEITH FABER**

**CINCINNATI ACHIEVEMENT 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 10/25/2022**

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