



Dave Yost • Auditor of State



**CINCINNATI GENERATION ACADEMY  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Cincinnati Generation Academy  
Hamilton County  
7243 Eastlawn Drive  
Cincinnati, Ohio 45237

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Cincinnati Generation Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Generation Academy, Hamilton County, Ohio as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

The Academy suffered an initial year loss from operations and has a net position deficiency of \$13,448 as of June 30, 2015. Management has disclosed no plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

**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 pension 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 June 13, 2016, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 13, 2016

**Cincinnati Generation Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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**Management's Discussion and Analysis**

The discussion and analysis of Cincinnati Generation Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

- Total net position was (\$13,448) in fiscal year 2015.
- Total assets were \$4,322 in fiscal year 2015.
- The operating revenue for fiscal year 2015 was \$886,207.
- The non-operating revenue for fiscal year 2015 was \$78,284.

**Using this Annual Financial Report**

This financial report contains the basic financial statements of the Academy, as well as the management's discussion and analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity-wide and the fund presentation are the same.

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

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

These statements report the Academy's net position, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**Cincinnati Generation Academy  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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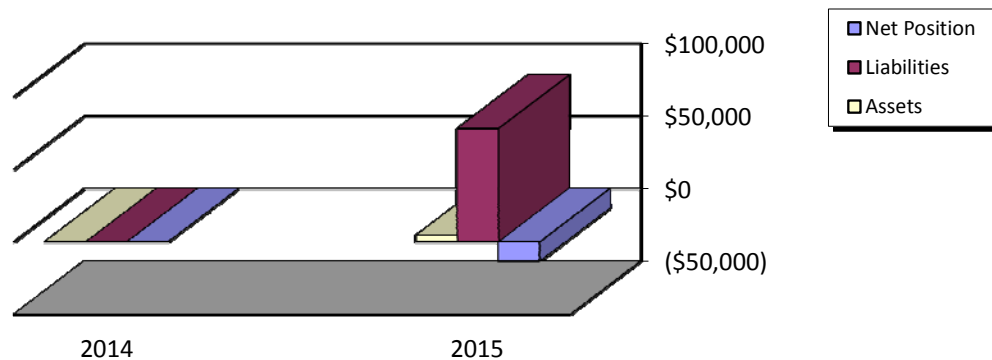
**The Academy as a Whole**

As stated previously, the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy’s net position at June 30, 2015. This is the Academy’s first year of operation. Therefore, comparative information is not available.

**Table 1  
Net Position**

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	Governmental Activities <u>2015</u>
Assets:	
Current and Other Assets	<u>\$4,322</u>
Total Assets	<u>4,322</u>
Deferred Outflows of Resources:	
Pension	<u>60,230</u>
Total Deferred Outflows of Resources	<u>60,230</u>
Liabilities:	
Other Liabilities	<u>78,000</u>
Total Liabilities	<u>78,000</u>
Net Position:	
Unrestricted	<u>(13,448)</u>
Total Net Position	<u><u>(\$13,448)</u></u>



Total net position of the Academy was \$(13,448) in fiscal year 2015

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the Academy, comparative



**Cincinnati Generation Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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prior fiscal year information does not exist. Subsequent reports will include the comparative information.

**Table 2  
Change in Net Position**

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	Change in Net Position
	<u>2015</u>
Operating Revenues:	
State Foundation	\$873,480
Other Revenues	<u>12,727</u>
Total Operating Revenues	<u>886,207</u>
Operating Expenses:	
Salaries	434,523
Fringe Benefits	22,114
Purchased Services	467,480
Materials and Supplies	23,499
Other Expenses	<u>30,323</u>
Total Operating Expenses	<u>977,939</u>
Operating Income (Loss)	<u>(91,732)</u>
Non-Operating Revenues (Expenses):	
State Grants	<u>78,284</u>
Total Non-Operating Revenues (Expenses)	<u>78,284</u>
Change in Net Position	(13,448)
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u><u>(\$13,448)</u></u>

**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of Cincinnati Generation Academy and to show the Academy'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: Cincinnati Generation Academy, Attn: Treasurer, 7243 Eastlawn Drive, Cincinnati, Ohio 45237, (513) 389-0968.

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Cincinnati Generation Academy  
Statement of Net Position  
June 30, 2015

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Assets:	
Cash	<u>\$4,322</u>
Total Assets	<u>4,322</u>
Deferred Outflows of Resources:	
Pension	<u>60,230</u>
Total Deferred Outflows of Resources	<u>60,230</u>
Liabilities:	
Accounts Payable	17,238
Accrued Wages and Benefits	<u>60,762</u>
Total Liabilities	<u>78,000</u>
Net Position:	
Unrestricted	<u>(13,448)</u>
Total Net Position	<u><u>(\$13,448)</u></u>

See accompanying notes to the basic financial statements.

Cincinnati Generation Academy  
Statement of Revenues, Expenses and Change in Net Position  
For the Fiscal Year Ended June 30, 2015

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Operating Revenues:	
Foundation Payments	\$873,480
Other Operating Revenues	<u>12,727</u>
Total Operating Revenues	<u>886,207</u>
Operating Expenses:	
Salaries	434,523
Fringe Benefits	22,114
Purchased Services	467,480
Materials and Supplies	23,499
Other	<u>30,323</u>
Total Operating Expenses	<u>977,939</u>
Operating Income (Loss)	<u>(91,732)</u>
Non-Operating Revenues (Expenses):	
State Grants	<u>78,284</u>
Total Non-Operating Revenues (Expenses)	<u>78,284</u>
Change in Net Position	(13,448)
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u><u>(\$13,448)</u></u>

See accompanying notes to the basic financial statements.

Cincinnati Generation Academy  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2015

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Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$873,480
Other Operating Cash Receipts	12,727
Cash Payments to Employees for Salaries and Benefits	(456,105)
Cash Payments for Goods and Services	(473,741)
Cash Payments for Other Expenses	<u>(30,323)</u>
Net Cash Provided (Used) by Operating Activities	<u>(73,962)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State Grants	<u>78,284</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>78,284</u>
Net Increase (Decrease) in Cash	4,322
Cash - Beginning of Year	<u>0</u>
Cash - End of Year	<u><u>\$4,322</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$91,732)
Adjustments:	
Pension Expense	(60,230)
Changes in Assets & Liabilities:	
Increase (Decrease) in Accrued Wages and Benefits	60,762
Increase (Decrease) in Accounts Payable	<u>17,238</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$73,962)</u></u>

See accompanying notes to the basic financial statements.

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**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**Note 1 – Description of the Academy and Reporting Entity**

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Cincinnati Generation Academy (the Academy) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Ohio Department of Education (Sponsor) for the period of July 1, 2014 through June 30, 2019. The Academy operates under a self-appointing five-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

**Note 2 – Summary of Significant Accounting Policies**

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

The more significant of the Academy's accounting policies are described below.

**Basis of Presentation**

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The difference between total assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is defined as 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.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705 and no budgetary information is presented in the financial statements.

The Board of Trustees adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Treasurer are responsible for ensuring that purchases are made within these limits. However, any variances from the budgetary amounts are presented to the Board for subsequent approval.

**Equity in Pooled Cash**

All monies received by the Academy are maintained in demand deposit accounts. For internal accounting purposes, the Academy segregates its cash using fund accounting.

Following Ohio statutes, the Board of Trustees has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2015 amounted to \$0.

**Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and various grants awarded through state programs. The State Foundation Program and certain other state grants are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year.

Revenues under state grant or entitlement programs for the 2015 school year totaled \$951,764.

**Accrued Liabilities Payable**

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2015 including:

Accounts payable – payments for goods or services made after year-end for services rendered in fiscal year 2015.

Accrued wages and benefits payable – payments for salary, health benefits, SERS and STRS contributions, Medicare deductions, SERS' surcharge and workers' compensation made after year-end for services rendered in fiscal year 2015. Teaching personnel are paid in 24 equal installments, ending with the last payroll in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2015 for the salary payments made to personnel after June 30, 2015 related to fiscal year 2015. A liability has also been recognized for health care payments made after year end for payroll services earned as of June 30, 2015.



**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**Pensions**

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

**Net Position**

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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 Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

As of June 30, 2015, of the Academy's \$0 in restricted Net Position, none was restricted by enabling legislation.

**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, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pensions. These deferred outflows of resources related to pensions are explained in Note 5.

In addition to liabilities, the statement of financial position reports 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. The Academy did not have any deferred inflows of resources related to pension as of fiscal year end.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy's primary mission as well as other charges for services and other operating revenues. For the Academy, operating revenues include foundation payments received from the State of Ohio as well as other operating revenues. Operating expenses are necessary costs incurred to support the Academy's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various state grants comprise the non-operating revenues of the Academy. The Academy reported no non-operating expenses for fiscal year 2015.

**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**Federal Tax Exemption Status**

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code.

**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 these estimates.

**Note 3 – Deposits**

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**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2015, all of the Academy's bank balance of \$16,366 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

**Note 4 – Risk Management**

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Property and liability – The Academy is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the Academy contracted with Cincinnati Insurance Company for business personal property, director and officer liability, and general liability insurance. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000.00 in the aggregate with \$1,000.00 deductible. The Cincinnati Insurance Company also provides umbrella liability coverage of \$6,000,000.00 per occurrence, as well as, in the aggregate.

There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceed coverage amounts during the fiscal year.

Employee insurance benefits – The Academy offers health insurance benefits to employees of whom the Academy pays 50 percent and the employee pays 50 percent of the premiums. The Academy also offers life insurance to its employees of which it pays 100 percent of the premiums. Health and life insurance benefits are administered by Anthem.

## **Worker's Compensation**

The Academy 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 5 - Defined Benefit Pension Plans**

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### **Net Pension Liability**

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

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

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter

**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy’s contractually required contribution to SERS was \$14,400 for fiscal year 2015. Of which the entire amount has been paid.

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

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

**Cincinnati Generation Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 services. 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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was

**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$40,034 for fiscal year 2015. Of this amount \$8,678 is reported as accrued wages and benefits.

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

At June 30, 2015, the Academy reported deferred outflows of resources, totaling \$60,230, related to pension contributions made during fiscal year 2015. This amount will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

**Note 6 - Post Employment Benefits**

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***School Employees Retirement System***

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2015, the Academy's surcharge obligation was \$801.

**Cincinnati Generation Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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The Academy's contributions for health care for the fiscal year ended June 30, 2015 was \$1,644. For fiscal year 2015, 100 percent has been contributed, with the balance being reported as accrued wages and benefits.

***State Teachers Retirement System***

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015 was \$0. The full amount has been contributed for fiscal year 2015.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System.

**Note 7 – Contingencies**

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**Foundation Funding**

Academy Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

**Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the review could result in state funding being adjusted. The Ohio Department of Education has completed its review of the Academy's enrollment data for fiscal year 2015, and it was determined that the amount due to ODE was immaterial to the financial statements.

**Cincinnati Generation Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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**Note 8 – Change in Accounting Principles**

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The Academy adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement Number 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement Number 68*. GASB Statement Number 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

**Note 9 – Purchased Services**

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During the fiscal year ended June 30, 2015, other purchased service expenses for services rendered by various vendors were as follows:

Pupils	\$5,452
Instructional Staff	24,389
General Administration	23,610
School Administration	133,698
Fiscal	22,934
Operations and Maintenance	152,826
Pupil Transportation	18,605
Food Service	85,966
Total	<u>\$467,480</u>

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# **REQUIRED SUPPLEMENTARY INFORMATION**



Cincinnati Generation Academy  
 Required Supplementary Information  
 Schedule of Academy Contributions  
 State Teachers Retirement System of Ohio  
 Current Fiscal Year (1)

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	<u>2015</u>
Contractually Required Contribution	\$40,034
Contributions in Relation to the Contractually Required Contribution	<u>(40,034)</u>
Contribution Deficiency (Excess)	<u>\$0</u>
Academy Covered-Employee Payroll	\$285,957
Contributions as a Percentage of Covered-Employee Payroll	14.00%

(1) - 2015 is the first year of operations for the Academy.  
 Prior years are not applicable.

Cincinnati Generation Academy  
 Required Supplementary Information  
 Schedule of Academy Contributions  
 School Employees Retirement System of Ohio  
 Current Fiscal Year (1)

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	<u>2015</u>
Contractually Required Contribution	\$14,400
Contributions in Relation to the Contractually Required Contribution	<u>(14,400)</u>
Contribution Deficiency (Excess)	<u>\$0</u>
Academy Covered-Employee Payroll	\$109,256
Contributions as a Percentage of Covered-Employee Payroll	13.18%

(1) - 2015 is the first year of operations for the Academy.  
 Prior years are not applicable.

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# Dave Yost • Auditor of State

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

Cincinnati Generation Academy  
Hamilton County  
7243 Eastlawn Drive  
Cincinnati, Ohio 45237

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Cincinnati Generation Academy, Hamilton County, Ohio, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated June 13, 2016, wherein we noted the Academy adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the Academy suffered an initial year loss from operations and has a net position deficiency of \$13,448 as of June 30, 2015.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 13, 2016



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Cincinnati Generation Academy  
Hamilton County  
7243 Eastlawn Drive  
Cincinnati, Ohio 45237

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Cincinnati Generation Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We inquired with the Board's management regarding the aforementioned policy. They stated they have not yet adopted an anti-harassment policy. The Board should adopt a policy as required by Ohio Rev. Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 13, 2016

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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# Dave Yost • Auditor of State

**CINCINNATI GENERATION ACADEMY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 30, 2016**