



Dave Yost • Auditor of State

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cincinnati Technology 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati Technology Academy, Hamilton County, Ohio, as of June 30, 2015, and the changes in financial position thereof and, where applicable, cash flows thereof 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 3 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liabilities and 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 November 21, 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

November 21, 2016

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

The discussion and analysis of Cincinnati Technology Academy (the Academy) financial performance provides an overall review of the Academy's 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 notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- Total assets increased by \$31,487, which represents a 13.3% increase from 2014.
- Total liabilities decreased by \$171,327, which represents a 12.7% decrease from 2014.
- Total revenues increased by \$407,354, which represents a 31.7% increase from 2014
- Total expenses increased by \$797,064, which represents a 72.8% increase from 2014.
- Net position decreased by \$201,924, which represents a 77.5%% decrease from 2014.

Using this Financial Report

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

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred inflows of resources, liabilities, and deferred outflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1 provides a summary of the Academy's net position for fiscal year 2015.

| (Table 1) | | | |
|---------------------------------------|-------------|-------------|---------------|
| Net Position | | | |
| | 2015 | 2014 | Change |
| Assets | | | |
| Current Assets | \$ 212,757 | \$ 189,180 | \$ 23,577 |
| Capital Assets, Net | 54,610 | 46,700 | 7,910 |
| Total Assets | 267,367 | 235,880 | 31,487 |
| Deferred Outflows of Resources | | | |
| Pension | 1,169,325 | 1,378,716 | (209,391) |
| Total Deferred Outflows of Resources | 1,169,325 | 1,378,716 | (209,391) |

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

| | | | |
|--|------------------|-------------------|---------------------|
| Liabilities | | | |
| Current Liabilities | 81,347 | 48,094 | 33,253 |
| Long-Term Liabilities | <u>1,101,374</u> | <u>1,305,954</u> | <u>(204,580)</u> |
| Total Liabilities | <u>1,182,721</u> | <u>1,354,048</u> | <u>(171,327)</u> |
| Deferred Inflows of Resources | | | |
| Pension | <u>195,347</u> | <u>-</u> | <u>195,347</u> |
| Total Deferred Inflows of Resources | <u>195,347</u> | <u>-</u> | <u>195,347</u> |
| Net Position | | | |
| Investment in Capital Assets | 54,610 | 46,700 | 7,910 |
| Unrestricted | <u>4,014</u> | <u>213,848</u> | <u>(209,834)</u> |
| Total Net Position | <u>\$ 58,624</u> | <u>\$ 260,548</u> | <u>\$ (201,924)</u> |

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

liability of the pension system as *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$187,786 to \$260,548.

Table 2 shows the changes in net position for fiscal year ended June 30, 2015.

(Table 2)
Change in Net Position

| | <u>2015</u> | <u>2014</u> | <u>Change</u> |
|--|------------------|------------------|----------------|
| Operating Revenues | | | |
| Foundation | \$ 1,449,449 | \$1,033,940 | \$ 415,509 |
| Non-Operating Revenues | | | |
| Federal and State | 241,024 | 244,769 | (3,745) |
| Interest | 139 | 107 | 32 |
| Miscellaneous | 61 | 4,503 | (4,442) |
| Total Revenues | <u>1,690,673</u> | <u>1,283,319</u> | <u>407,354</u> |
| Operating Expenses | | | |
| Salaries and Wages | 850,632 | 588,605 | 262,027 |
| Fringe Benefits | 426,654 | 118,833 | 307,821 |
| Purchased Services | 505,000 | 336,780 | 168,220 |
| Material and Supplies | 70,286 | 51,315 | 18,971 |
| Depreciation | 13,411 | - | 13,411 |
| Miscellaneous | 26,614 | - | 26,614 |
| Total Expenses | <u>1,892,597</u> | <u>1,095,533</u> | <u>797,064</u> |
| Change in Net Position | (201,924) | 187,786 | (389,710) |
| Net Position, Beginning of Year (Restated) | <u>206,548</u> | <u>N/A</u> | <u>N/A</u> |

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

| | | | |
|---------------------------|-----------|------------|--------------|
| Net Position, End of Year | \$ 58,624 | \$ 260,548 | \$ (201,924) |
|---------------------------|-----------|------------|--------------|

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 fringe benefits expenses still include pension expense of \$72,762 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$55,554. Consequently, in order to compare 2015 total fringe benefits expenses to 2014, the following adjustments are needed:

| | |
|--|------------|
| Total 2015 Fringe Benefits under GASB 68 | \$ 426,654 |
| Pension Expense under GASB 68 | (\$55,554) |
| 2015 Contractually Required Contribution | 114,373 |
| Adjusted 2015 Fringe Benefits | 485,473 |
| Total 2014 Fringe Benefits under GASB 27 | (118,833) |
| Increase in Fringe Benefits Not Related to Pension | \$ 366,640 |

Capital Assets

The Academy has \$54,610 invested in capital assets net of accumulated depreciation. See Note 6 of the notes to the basic financial statements for more detail information on the Academy's capital assets.

Contacting the Academy

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

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

Assets

Current Assets

| | |
|------------------------------|----------------|
| Cash | \$ 167,762 |
| Intergovernmental Receivable | 44,995 |
| Total Current Assets | <u>212,757</u> |

Non-Current Assets

| | |
|---------------------|----------------|
| Capital Assets, Net | 54,610 |
| Total Assets | <u>267,367</u> |

Deferred Outflows of Resources

| | |
|--------------------------------------|------------------|
| Pension | 1,169,325 |
| Total Deferred Outflows of Resources | <u>1,169,325</u> |

Liabilities

Current Liabilities

| | |
|---------------------------|---------------|
| Accounts Payable | 9,106 |
| Accrued Wages Payable | 72,241 |
| Total Current Liabilities | <u>81,347</u> |

Long-Term Liabilities

| | |
|----------------------------|------------------|
| Due in More Than One Year: | |
| Net Pension Liability | 1,101,374 |
| Total Liabilities | <u>1,182,721</u> |

Deferred Inflows of Resources

| | |
|-------------------------------------|----------------|
| Pension | 195,347 |
| Total Deferred Inflows of Resources | <u>195,347</u> |

Net Position

| | |
|------------------------------|------------------|
| Investment in Capital Assets | 54,610 |
| Unrestricted | 4,014 |
| Total Net Position | <u>\$ 58,624</u> |

See accompanying notes to the basic financial statements

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|--|------------------|
| Operating Revenues | |
| State Foundation | \$ 1,449,449 |
| Total Operating Revenues | <u>1,449,449</u> |
| Operating Expenses | |
| Salaries | 850,632 |
| Fringe Benefits | 426,654 |
| Purchased Services | 505,000 |
| Materials and Supplies | 70,286 |
| Depreciation | 13,411 |
| Miscellaneous | 26,614 |
| Total Operating Expenses | <u>1,892,597</u> |
| Operating Loss | <u>(443,148)</u> |
| Non-Operating Revenues | |
| Federal and State Grants | 241,024 |
| Interest | 139 |
| Miscellaneous | 61 |
| Total Non-Operating Revenues | <u>241,224</u> |
| Change in Net Position | (201,924) |
| Net Position at Beginning of Year (Restated) | <u>260,548</u> |
| Net Position at End of Year | <u>\$ 58,624</u> |

See accompanying notes to the basic financial statements

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Increase / Decrease in Cash

Cash Flows from Operating Activities

| | |
|--|------------------|
| Cash Received from State of Ohio | \$ 1,449,449 |
| Cash Payments to Suppliers for Goods and Services | (595,454) |
| Cash Payments to Employees for Services & Benefits | (1,056,113) |
| Net Cash Used in Operating Activities | <u>(202,118)</u> |

Cash Flows from Noncapital Financing Activities

| | |
|--|----------------|
| Cash Received from Grants - Federal and State Grants | 299,075 |
| Cash Received from Miscellaneous Activities | 200 |
| Net Cash Provided by Noncapital Financing Activities | <u>299,275</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|-----------------|
| Cash Payments for Capital Acquisitions | <u>(21,321)</u> |
| Net Cash Used in Capital and Related Financing Activities | <u>(21,321)</u> |

Net Increase in Cash 75,836

Cash, Beginning of Year 91,926

Cash, End of Year \$ 167,762

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss (443,148)

Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities

Depreciation 13,411

Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows

(Increase) Decrease in Intergovernmental Receivable (5,793)

Increase (Decrease) in Accounts Payable 5,555

Increase (Decrease) in Accrued Wages 27,698

Increase (Decrease) in Pension in Relation to GASB 68 200,159

Total Adjustments 241,030

Net Cash Used in Operating Activities \$ (202,118)

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**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Cincinnati Technology Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Twelve. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Corporation of Ohio (the Sponsor) for a period of two years commencing July 1, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a minimum five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy participates in one jointly governed organization. This organization is presented in Note 14 to the basic financial statements. This organization is Metropolitan Dayton Educational Cooperative Association (MDECA).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation – Enterprise Accounting

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

B. Measurement Focus/Basis of Accounting

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

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

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| |
|--|
| 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
|--|

C. Budgetary Process

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

D. Cash

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

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment and leasehold improvements are computed using the straight-line method over the estimated useful life of three to eight years.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amount awarded under the above program for the 2015 fiscal year totaled \$1,449,449.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy. Amount awarded under the above programs for the 2015 fiscal year totaled \$241,024.

H. Deferred Outflows / Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the Academy, deferred inflows of resources are reported on the statement of net position include pension. Deferred inflows of resources related to pension are explained in Note 8.

I. Net Position

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

J. 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.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Academy implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | |
|--|-------------|
| Net position June 30, 2014 | \$187,786 |
| Adjustments: | |
| Net Pension Liability | (1,305,954) |
| Deferred Outflow – Change in Proportionate Share | 1,305,954 |
| Deferred Outflow - Payments Subsequent to Measurement Date | 72,762 |
| Restated Net Position June 30, 2014 | \$260,548 |

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

4. DEPOSITS

At June 30, 2015, the carrying amount of the Academy's deposits was \$167,762. The bank balance was \$176,690. Based on the criteria described in GASB Statement No.40, "Deposits and Investment Risk Disclosures" as of June 30, 2015, the Academy's bank balance was covered by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

Receivables at June 30, 2015 primarily consisted of intergovernmental (e.g. foundation and federal grants) receivables. All intergovernmental receivable are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

| | |
|-----------|------------------------|
| Title I | \$35,198 |
| Title VIB | 4,004 |
| SERS | <u>5,793</u> |
| Total | <u><u>\$44,995</u></u> |

6. CAPITAL ASSETS

A summary of the Academy's capital asset activity for the fiscal year ended June 30, 2015 follow:

| | Balance 7/1/2014 | Additions | Deletions | Balance 6/30/2015 |
|---------------------------------------|-----------------------------|------------------|------------------|------------------------------|
| Depreciable Capital Assets: | | | | |
| Leasehold Improvements | \$ - | \$ 1,937 | \$ - | \$ 1,937 |
| Furniture & Equipment | 46,700 | 19,384 | - | 66,084 |
| Total Depreciable Capital Assets | 46,700 | 21,321 | - | 68,021 |
| Less Accumulated Depreciation: | | | | |
| Leasehold Improvements | - | (194) | - | (194) |
| Furniture & Equipment | - | (13,217) | - | (13,217) |
| Total Accumulated Depreciation | - | (13,411) | - | (13,411) |
| Total Capital Assets, Net | \$ 46,700 | \$ 7,910 | \$ - | \$ 54,610 |

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2015, the Academy contracted with Argonaut Insurance Agency for property and general liability insurance. General Liability, provided by Argonaut Insurance Company contains a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. There is a \$2,000 deductible.

B. Workers Compensation

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

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

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 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.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire 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 \$56,595 for fiscal year 2015.

State Teachers Retirement System (STRS)

Plan Description

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 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 \$57,778 for fiscal year 2015.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|-------------|--------------|
| Proportionate Share of the Net Pension Liability | \$370,512 | \$730,862 | \$1,101,374 |
| Proportion of the Net Pension Liability | 0.007321% | 0.00300476% | |
| Pension Expense | \$21,789 | \$33,765 | \$55,554 |

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|------------------|------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$3,153 | \$7,036 | \$10,189 |
| Difference between Academy contributions and proportionate share of contributions | 348,285 | 696,478 | 1,044,763 |
| Academy contributions subsequent to the measurement date | <u>56,595</u> | <u>57,778</u> | <u>114,373</u> |
| Total Deferred Outflows of Resources | <u>\$408,033</u> | <u>\$761,292</u> | <u>\$1,169,325</u> |

Deferred Inflows of Resources

| | | | |
|--|-----------------|------------------|------------------|
| Net difference between projected and actual earnings on pension plan investments | <u>\$60,135</u> | <u>\$135,212</u> | <u>\$195,347</u> |
|--|-----------------|------------------|------------------|

\$114,373 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|------------------|------------------|------------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | \$72,834 | \$142,076 | \$214,910 |
| 2017 | 72,834 | 142,076 | 214,910 |
| 2018 | 72,834 | 142,076 | 214,910 |
| 2019 | <u>72,801</u> | <u>142,074</u> | <u>214,875</u> |
| Total | <u>\$291,303</u> | <u>\$568,302</u> | <u>\$859,605</u> |

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| |
|---|
| 8. DEFINED BENEFIT PENSION PLANS (Continued) |
|---|

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 termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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 allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

8. DEFINED BENEFIT PENSION PLANS (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| Academy's proportionate share of the net pension liability | \$1,046,308 | \$730,862 | \$464,100 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------------|---|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date. |

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| Academy's proportionate share of the net pension liability | \$528,610 | \$370,512 | \$237,537 |

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

9. POST-EMPLOYMENT BENEFITS

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 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 \$6,881.

The Academy's contributions for health care for the fiscal years ended June 30, 2015 and 2014 were \$10,196 and \$3,719, respectively. The full amount has been contributed for fiscal years 2015, and 2014.

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 or by calling (888) 227-7877.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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9. POST-EMPLOYMENT BENEFITS (Continued)

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, and 2014 were \$0 and \$3,616 respectively. The full amount has been contributed for fiscal years 2015 and 2014.

10. LONG-TERM OBLIGATIONS

The changes in the Academy's long-term obligations during fiscal year 2015 were as follows:

| | Principal Outstanding 6/30/2014 | Additions | Deductions | Principal Outstanding 6/30/2015 |
|-----------------------------|---------------------------------------|-----------|--------------------|---------------------------------------|
| Net Pension Liability: | | | | |
| STRS | \$870,598 | | \$(139,736) | \$730,862 |
| SERS | 435,356 | | (64,844) | 370,512 |
| Total Net Pension Liability | <u>\$1,305,954</u> | | <u>\$(204,580)</u> | <u>\$1,101,374</u> |

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

12. OPERATING LEASE / RELATED PARTY TRANSACTIONS

On August 4, 2013, the Academy entered into a lease for an initial term of one (1) year lease with Deborah Connors for classroom space at 3800 Glenway Ave., Cincinnati, Ohio. The initial lease is from August 04, 2013 thru July 31, 2015. This lease may be renew for five (5) additional one (1) year terms. Deborah Connors is the mother of the Academy's Superintendent. The Academy paid Deborah Connors \$84,000 during fiscal year 2015.

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

- The Assistant Superintendent, Christy Cifers and Superintendent, Dr, Roger Connors are married.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

12. OPERATING LEASE / RELATED PARTY TRANSACTIONS (Continued)

- The Superintendent's sister, Lisa Bloemker, serve as an Administrator Assistant/Enrollment Secretary.
- The Assistant Superintendent's sisters, Rebeca Spahni serves on the Governing Board of the Academy and Victoria Cifers serves as a Science Teacher

13. PURCHASED SERVICES

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

| | |
|------------------------------------|------------|
| Professional Services | \$ 159,421 |
| Property Services | 140,384 |
| Meeting | 7,856 |
| Communication | 25,344 |
| Utilities | 22,848 |
| Contracted Services (Food Service) | 134,485 |
| Pupil Transportation | 2,873 |
| Other | 11,789 |
| | \$ 505,000 |

14. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association (MDECA) – The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke counties and the cities of Dayton, Troy, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The Academy paid MDECA \$5,253 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

15. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditures 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.

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| |
|--------------------------------------|
| 15. CONTINGENCIES (Continued) |
|--------------------------------------|

B. State Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools 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, 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 School; 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 School.

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

| | 2014 |
|--|-------------|
| <i>State Teachers Retirement System of Ohio</i> | |
| School's proportion of the net pension liability (asset) | 0.00300476% |
| School's proportionate share of the net pension liability (asset) | \$ 730,862 |
| School's covered-employee payroll | \$ 330,615 |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 221.06% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% |
| <i>School Employees Retirement System of Ohio</i> | |
| School's proportion of the net pension liability (asset) | 0.00732100% |
| School's proportionate share of the net pension liability (asset) | \$ 370,512 |
| School's covered-employee payroll | \$ 214,871 |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 172.43% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.70% |

(1) Information prior to 2014 is not available.

Cincinnati Technology Academy
Hamilton County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Two Fiscal Years (1)

| | <u>2015</u> | <u>2014</u> |
|---|-----------------|-----------------|
| <i>State Teachers Retirement System of Ohio</i> | | |
| Contractually Required Contribution | \$ 57,778 | \$ 42,980 |
| Contributions in Relation to the Contractually Required Contribution | <u>(57,778)</u> | <u>(42,980)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> |
| School's covered-employee payroll | \$ 412,700 | \$ 330,615 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.00% |

School Employees Retirement System of Ohio

| | | |
|---|-----------------|-----------------|
| Contractually Required Contribution | \$ 56,594 | \$ 29,781 |
| Contributions in Relation to the Contractually Required Contribution | <u>(56,594)</u> | <u>(29,781)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> |
| School's covered-employee payroll | \$ 429,393 | \$ 214,871 |
| Contributions as a percentage of covered-employee payroll | 13.18% | 13.86% |

(1) - Information prior to 2013 is not available.



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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati Technology 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 November 21, 2016, wherein we noted that the Academy adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 Entity'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*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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

November 21, 2016

**CINCINNATI TECHNOLOGY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|------------------------|------------------|---|
| 2014-001 | Conflicts of Interest | No | Partially corrected. During fiscal year 2015, all checks were signed for the Superintendent utilizing a signature stamp. This matter was referred to the Ohio Ethics Commission (OEC) and the matter is not repeated in the Schedule of Findings for fiscal year 2015 based on initial review of finding 2014-001 by the OEC. |
| 2014-002 | Various posting errors | Yes | Finding No Longer Valid |

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CINCINNATI TECHNOLOGY 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
DECEMBER 13, 2016**