CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

FINAL AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Office of School Sponsorship
Cincinnati Learning Schools
5641 Belmont Avenue
Cincinnati, Ohio 45224

We have reviewed the *Independent Auditor's Report* of the Cincinnati Learning Schools, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cincinnati Learning Schools is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 21, 2019

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HAMILTON COUNTY
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INDEPENDENT AUDITOR'S REPORT

Cincinnati Learning Schools
Hamilton County
c/o Ohio Department of Education
25 S. Front Street
Columbus, Ohio 43215

To the Office of School Sponsorship:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cincinnati Learning Schools, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati Learning Schools, Hamilton County, Ohio as of June 30, 2018, and the changes of 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 16 to the basic financial statements, the School ceased operations on June 30, 2018 based on a resolution passed by the Board on March 29, 2018. 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 that the management's discussion and analysis, and schedules of net pension liabilities, net postemployment liabilities, and pension and postemployment contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
October 18, 2019

The management's discussion and analysis of the Cincinnati Learning Schools' (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the period ended June 30, 2018 are as follows:

- Total assets of the School were $418,853 and total liabilities of the School were $418,853 at June 30, 2018.
- The School had operating revenues of $2,491,803, operating expenses of $2,894,366, non-operating revenues of $531,871, non-operating expenses of $8,017 and a special item of $1,571,289 for the fiscal year ended June 30, 2018. Total change in net position for the period ended June 30, 2018 was an increase of $1,692,580.
- The special item of $1,571,289 represents the impact related to the closing of the School. This includes the gain on GASB 68 write off, disposal costs and the closing accrual.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in that position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-22 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension and OPEB liability. The required supplementary information can be found on pages 23-32 of this report.

The table below provides a summary of the School's net position at June 30, 2018 and 2017.

Net Position

	2018	2017
Assets		
Current assets	$ 418,853	$ 370,938
Capital assets, net	-	199,911
Total assets	418,853	570,849
Deferred Outflows of Resources	-	832,799
Liabilities		
Current liabilities	418,853	512,534
Non-current liabilities	-	2,570,086
Total liabilities	418,853	3,082,620
Deferred Inflows of Resources	-	13,608
Net Position		
Investment in capital assets	-	199,911
Unrestricted (deficit)	-	(1,892,491)
Total net position	$ -	$ (1,692,580)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School's net position was zero. Overall, the changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources was due to the School's closure and the implementation of GASB Statement No. 69.

The table below shows the changes in net position for the fiscal years 2018 and 2017.

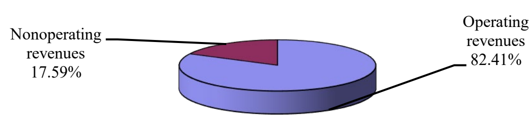
Change in Net Position

	2018	2017
Operating revenues:		
State foundation	$ 1,778,849	$ 1,665,305
Sponsor local contributions	701,098	517,566
Charges for services	-	1,690
Other	11,856	5,545
Total operating revenues	2,491,803	2,190,106
Operating expenses:		
Salaries	1,201,064	866,227
Fringe benefits	330,983	517,885
Purchased services	1,029,103	1,011,654
Materials and supplies	173,815	214,367
Depreciation	115,806	119,029
Other operating expenses	43,595	36,419
Total operating expenses	2,894,366	2,765,581
Non-operating revenues (expenses):		
Intermediate, state and federal grants	531,871	552,229
Interest and fiscal charges	(8,017)	(23,172)
Total non-operating revenues (expenses)	523,854	529,057
Special item:	1,571,289	-
Change in net position	1,692,580	(46,418)
Net position at beginning of the year	(1,692,580)	(1,646,162)
Net position at end of the year	$ -	$ (1,692,580)

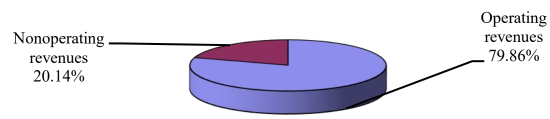
Operating revenues totaled $2,491,803 during fiscal year 2018. Operating revenues consist primarily of state foundation revenue of $1,778,849 which was based on Full Time Equivalent (FTE) of 212 students during fiscal year 2018 and contributions from Cincinnati City School District (the "Sponsor"). Foundation revenue increased $113,544 due to an increase in special education funding. Operating expenses totaled $2,894,366. The main operating expenses of the School consist of purchased services such as professional and technical services and property services such as rent paid for the School's building and expenses related to salaries and benefits for its employees. Non-operating revenues of the School consist of state and federal grant money received from the USDA Nutrition Program, Title I grant, Title IV-A grant, Title II-A grant and Title VI-B grant.

The graphs below illustrate the revenues and expenses for the School during the fiscal year 2018 and 2017.

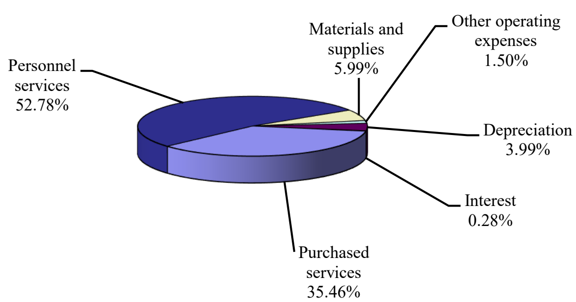
2018 Revenues



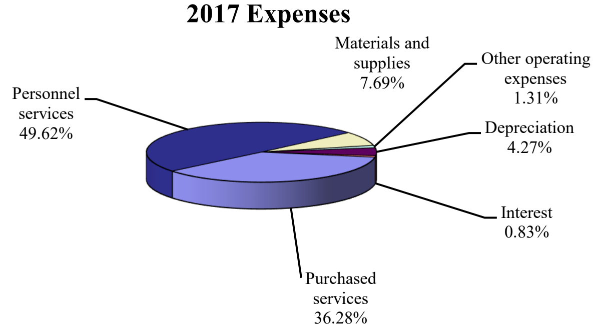
2017 Revenues



2018 Expenses



2017 Expenses



Capital Assets

At June 30, 2018, the School did not report any capital assets.

Debt Administration

At June 30, 2018, the School had $167,586 in notes payable outstanding, all of which is due within one year. See Note 6 to the basic financial statements for more detail on debt.

Current Financial Related Activities

The School is sponsored by Cincinnati City School District and the Ohio Department of Education. The School is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

The School ceased operations effective June 30, 2018.

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:		
Current assets:		
Equity in pooled cash		
and cash equivalents	$	143,905
Receivables:		
Accounts		1,047
Intergovernmental		273,901
Total assets.		418,853
Liabilities:		
Current liabilities:		
Accounts payable.		177,202
Intergovernmental payable.		34,431
Notes payable.		167,586
Accrued interest payable		1,215
Closing accrual.		38,419
Total liabilities		418,853
Net position:		
Unrestricted		-
Total net position	$	-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
Foundation payments	$ 1,778,849
Sponsor local contributions	701,098
Other operating revenues	11,856
Total operating revenues	2,491,803
Operating expenses:	
Salaries.	1,201,064
Fringe benefits.	330,983
Purchased services.	1,029,103
Materials and supplies	173,815
Depreciation	115,806
Other operating expenses.	43,595
Total operating expenses.	2,894,366
Operating loss	(402,563)
Non-operating revenues (expenses):	
Intermediate, State and federal grants	531,871
Interest and fiscal charges	(8,017)
Total non-operating revenues (expenses)	523,854
Income before special item.	121,291
Special item	1,571,289
Change in net position	1,692,580
Net position at beginning of the year	(1,692,580)
Net position at end of the year.	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 1,768,214
Cash received from Sponsor for operations	551,536
Cash received from other operating revenues	9,876
Cash payments for personal services	(1,304,175)
Cash payments for fringe benefits	(208,020)
Cash payments for contract services	(986,903)
Cash payments for materials and supplies	(175,160)
Cash payments for other expenses	(42,370)
Net cash used in operating activities	(387,002)
Cash flows from noncapital financing activities:	
Cash received from intermediate, state and federal grants	490,210
Cash payments for principal of noncapital notes	(163,401)
Cash payments for interest of noncapital notes	(8,017)
Net cash provided by noncapital financing activities.	318,792
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(25,000)
Net cash used in capital and related financing activities.	(25,000)
Net decrease in cash and cash equivalents	(93,210)
Cash and cash equivalents at beginning of the year .	237,115
Cash and cash equivalents at end of the year	$ 143,905
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (402,563)
Adjustments:	
Depreciation	115,806
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	(1,047)
Intergovernmental receivable	(154,692)
Prepayments	56,106
Accounts payable.	126,442
Compensated absences payable	(103,111)
Intergovernmental payable	(23,943)
Net cash used in operating activities	$ (387,002)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

Cincinnati Learning Schools (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School, located in Aiken High School in the Cincinnati City School District, sets out to tailor a high-quality education to a complete spectrum of students from all backgrounds and all abilities. The School meets each student at their current level and then builds competency and confidence through hard work and encouragement. High School students at the School are provided with an opportunity to earn college credits through digital coursework that prepares them to take College Level Examination Program (CLEP) exams. Fiscal year 2014 represented the first year of operation of the School as an independent charter school. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Cincinnati City School District (the "Sponsor") for a period of five years commencing July 1, 2013 and ending June 30, 2018. The Sponsor is responsible for evaluating the School's performance and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Effective February 13, 2018, the School is under contract with the Ohio Department of Education. The School closed on June 30, 2018 based on a unanimous decision by its board on March 29, 2018.

The School operates under a self-appointing five member Governing Board (the "Board"). 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. The School is staffed by 13 certified teaching personnel, 3 non-certified employees and 7 administrators who provides services to 212 full time equivalent (FTE) students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Equity consists of net total position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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.

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will 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 and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, See Note 12 for deferred outflows of resources related to the School's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 that time. For the School, See Note 12 for deferred inflows of resources related to the School's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

D. Budgetary Process

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

The School's Board 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 School Principal and Business Manager are responsible for ensuring that purchases are made within these limits.

E. Cash and Investments

All cash the School receives is maintained at a central bank. For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2018, cash the School received was maintained in demand deposit accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of $5,000. The School does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of equipment is computed using the straight-line method over estimated useful lives of three to ten years.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. For the School, these revenues are payments from the State foundation program and tuition and fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program through the Ohio Department of Education, the United States Department of Agriculture (USDA) Nutrition Program, the Title I grant, the Title II-A grant, Title IV-A grant and the Title VI-B grant. The School also receives pass through tax money received from the Cincinnati City School District for operating expenses. Revenues received from the State Foundation Program and Cincinnati City School District are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Intermediate, state and federal grant revenue for the fiscal year 2018 was $531,871.

H. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

I. Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Employees of the School carry over vacation balances from one year to the next.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Tax Exempt Status

The School has been approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

N. Economic Dependency

The School receives nearly 71% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES

For fiscal year 2018, the School has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 *"Irrevocable Split-Interest Agreements"* GASB Statement No. 85*, "Omnibus 2017"* and GASB Statement No. 86, "*Certain Debt Extinguishments*".

NOTE 3 - CHANGES IN ACCOUNTING POLICIES - (Continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the School.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all School deposits was $143,905. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, all of the School's bank balance of $143,905 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018 consisted of accounts receivable and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net position follows:

Accounts receivable	$ 1,047
Intergovernmental receivable:	
Casino funding	5,598
State Foundation	49,868
Bureau of Workers' Compensation	1,980
Title VI-B	5,778
Title II-A	2,961
Title I	51,981
Title IV-A	10,000
Cincinnati Public Schools	145,735
Total	$ 274,948

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in the School's long-term obligations during fiscal year 2018 were as follows.

	Balance 6/30/2017	Additions	Reductions	Balance 06/30/18	Due Within One Year
Notes payable	$ 330,987	$ -	$ (163,401)	$ 167,586	$ 167,586
Net pension liability	2,570,086	-	(2,570,086)	-	-
Compensated absences	103,111	21,137	(124,248)	-	-
Total governmental activities long-term liabilities	$ 3,004,184	$ 21,137	$ (2,857,735)	$ 167,586	$ 167,586

Notes Payable: On October 4, 2013, the School entered into a promissory note with First Financial Bank to borrow a total of $1,170,000 for school start-up costs. The note carries an interest rate of 3.75% and all of the balance is due in one year.

Net pension liability: See Note 12 for details.

NOTE 7 - CAPITAL ASSETS AND DEPRECIATION

A summary of the School's capital assets at June 30, 2018, follows:

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
Capital assets, being depreciated				
Equipment	$ 657,796	$ 25,000	$ (682,796)	$ -
Total capital assets, being depreciated	657,796	25,000	(682,796)	-
Less: Accumulated Depreciation				
Equipment	(457,885)	(115,806)	573,691	-
Total accumulated depreciation	(457,885)	(115,806)	573,691	-
Net Capital Assets	$ 199,911	$ (90,806)	$ (109,105)	$ -

The School closed on June 30, 2018. The School sold or donated all capital assets prior to June 30, 2018.

NOTE 8 - PURCHASED SERVICES

Purchased services include the following:

Professional and technical services	$ 649,556
Property services	168,478
Travel mileage/meeting expense	2,621
Communications	97,183
Utilities	20,000
Contracted craft or trade	88,826
Pupil transportation	2,439
Total purchased services	$ 1,029,103

NOTE 9 - OPERATING LEASES

The School entered into a lease for fiscal year 2018 with Cincinnati City School District to lease space in Aiken High School located at 5641 Belmont Avenue, Cincinnati, Ohio 45224. The cost of the lease for the fiscal year 2018 was $226,000 payable in twelve monthly payments.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2018, the School contracted with Great American Insurance Group for general, automobile and excess/umbrella liability insurance. Below are the various coverages for the School:

Personal Property	$190,000	$1,000 deductible
Blanket Limit of Insurance:		
Each Occurrence	$250,000	
Aggregate	$250,000	
General Liability		
General Aggregate Limit	$2,000,000	
Products	$2,000,000	
Personal and Advertising Injury Limit	$1,000,000	
Each Occurrence Limit	$1,000,000	
Employee Benefits		
Aggregate Limit	$2,000,000	$1,000 deductible
Each Claim Limit	$1,000,000	
Ohio Stop Gap Employers' Liability	$1,000,000	
Abuse or Molestation Coverage	$1,000,000	
Crime and Fidelity	$25,000	$1,000 deductible
Business Auto Coverage	$1,000,000	
Equipment Breakdown Coverage	$442,500	$1,000 deductible

B. Workers' Compensation

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, Life and Vision Benefits

The School has contracted with Northern Buckeye Health Plan for medical, dental and vision benefits and MetLife for life insurance benefits to its employees.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

As a result of the implementation of GASB Statement No. 69, the School shows no net pension liability as of June 30, 2018.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The School 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.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit Age 65 with 5 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 years 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 School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The School's contractually required pension contribution to SERS was $25,220 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was $123,148 for fiscal year 2018.

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

As a result of the implementation of GASB Statement No. 69, the School shows no net OPEB liability as of June 30, 2018.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. 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.

The School's contractually required OPEB contribution to SERS was $934 for fiscal year 2018.

NOTE 13 - DEFINED BENEFIT OPEB PLANS – (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 14 - CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2018.

B. Litigation

The School is not involved in litigation that, in the opinion of management, would have material effect on the financial statements.

C. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As of the date of this report, ODE has performed an FTE Review on the School for fiscal year 2018 and the result was that no settlement payment was required.

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NOTE 15 - SERVICE AGREEMENTS

A. Cincinnati City School District

The School entered into a five-year contract effective on July 1, 2013 and continuing through June 30, 2018 with the Cincinnati City School District (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the School's compliance with applicable laws to the School and with the terms of the Sponsorship Agreement;

- Monitor and evaluate the academic and fiscal performance and the organization and operation of the School on at least an annual basis during the term of the Sponsorship Agreement;

- Report, on an annual basis and by November 30 of each year, the results of the evaluation conducted under the above review (Section 3314.03(D)(2) of the ORC) to the Department of Education and to the parents of students enrolled in the School;

- Provide technical assistance to the School in complying with laws applicable to the School and terms of the Sponsorship Agreement;

- Take steps to intervene in the School's operation, to the extent reasonable and within available resources to correct problems in the Schools overall performance, declare the School to be on probationary status pursuant to Section 3314.073 of the ORC, suspend the operation of the School pursuant to Section 3314.072 of the ORC, or terminate the Sponsorship Agreement of the School pursuant to Section 3314.07 of the ORC as determined necessary by the Sponsor; and,

- Have in place a plan of action to be undertaken in the event the School experiences financial difficulties or closes prior to the end of a school year.

During fiscal year 2018 the School made $150,667 in payments to the Sponsor for rent and utilities.

The Sponsor also agrees to pay an amount to the School for operating expenditures per pupil which equates to 82% of the operating expenditures per pupil. This amount is calculated by taking the total amount of applicable State payments and other nonfederal revenue spent by the School for operating expenses during the previous fiscal year and dividing by the School's average daily membership. During fiscal year 2018, the Sponsor paid the School $551.536.

B. Charter School Management Corporation

The School entered into a contract with Charter School Management Corporation (CSMC). CSMC will provide services including:

- Complete external, student reporting including attendance and state reporting school support

- Student Information System (SIS) PowerSchool Premier software roll out, training and support

During fiscal year 2018, the School made $85,000 in payments to the CSMC.

NOTE 16 – SPECIAL ITEM – SCHOOL CLOSURE

The School officially closed on June 30, 2018 based on a resolution passed by the Board on March 29, 2018. The School has followed the closing procedures prescribed by ODE. These procedures include, among others, official notification to ODE, retirement systems, the students and community, disposition of assets, and the preparation of financial statements.

The School disposed of the assets that were not sold or donated prior to June 30, 2018. The School will not have any remaining cash after final expenses are paid. The bank accounts will be closed.

The School is reporting a special item directly related to the closure. Capital assets no longer being used were sold, donated, or disposed of in accordance with the community school closure process set up by ODE. A summary of the principal items included in the special item on the statement of revenues, expenses and changes in net position follows:

Gain on GASB 68 write - off	$ 1,750,895
Costs related to disposal of operations	(141,187)
Closing accrual	(38,419)
Total special item	$ 1,571,289

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations. The implementation of this statement did not result in any change to net position as previously stated but is incorporated in the accompanying financial statements as it relates to the closing of the School.

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.00521960%	0.00599880%	0.00220630%	0.00202300%	0.00202300%
School's proportionate share of the net pension liability	$ -	$ 439,057	$ 125,894	$ 102,383	$ 120,301
School's covered payroll	$ 172,371	$ 186,179	$ 66,419	$ 58,795	n/a
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	235.83%	189.55%	174.14%	n/a
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.00531511%	0.00636641%	0.00642638%	0.00510289%	0.00510289%
School's proportionate share of the net pension liability	$ -	$ 2,131,029	$ 1,776,063	$ 1,241,199	$ 1,478,509
School's covered payroll	$ 584,329	$ 669,871	$ 666,400	$ 521,369	n/a
School's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	318.13%	266.52%	238.07%	n/a
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	$ 25,220	$ 24,132	$ 26,065	$ 8,754	$ 8,149
Contributions in relation to the contractually required contribution	(25,220)	(24,132)	(26,065)	(8,754)	(8,149)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 186,815	$ 172,371	$ 186,179	$ 66,419	$ 58,795
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%

Note: Information prior to fiscal year 2014 was unavailable as that was the School's first year of operations.

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	$ 123,148	$ 81,806	$ 93,782	$ 93,296	$ 67,778
Contributions in relation to the contractually required contribution	(123,148)	(81,806)	(93,782)	(93,296)	(67,778)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 879,629	$ 584,329	$ 669,871	$ 666,400	$ 521,369
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

Note: Information prior to fiscal year 2014 was unavailable as that was the School's first year of operations.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	**2017**
School's portion of the net OPEB liability	0.00483610%	0.00551827%
School's proportionate share of the net OPEB liability	$ -	$ 157,291
School's covered payroll	$ 172,371	$ 186,179
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	84.48%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOLS PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
School's proportion of net OPEB liability	0.00531511%	0.00636641%
School's proportionate share of the net OPEB liability	$ -	$ 340,477
School's covered payroll	$ 584,329	$ 669,871
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	$ 934	$ 505	$ 386	$ 545	$ 76
Contributions in relation to the contractually required contribution	(934)	(505)	(386)	(545)	(76)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 186,815	$ 172,371	$ 186,179	$ 66,419	$ 58,795
Contributions as a percentage of covered payroll	0.50%	0.29%	0.21%	0.82%	0.13%

Note: Information prior to fiscal year 2014 was unavailable as that was the School's first year of operations.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	$ -	$ -	$ -	$ -	$ 5,286
Contributions in relation to the contractually required contribution	-	-	-	-	(5,286)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 879,629	$ 584,329	$ 669,871	$ 666,400	$ 521,369
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

Note: Information prior to fiscal year 2014 was unavailable as that was the School's first year of operations.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

Cincinnati Learning Schools
Hamilton County
c/o Ohio Department of Education (Sponsor)
25 S. Front Street
Columbus, Ohio 43215

To the Office of School Sponsorship:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Cincinnati Learning Schools. Hamilton County, Ohio (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 18, 2019, wherein we noted the School ceased operations as of June 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in the report that we reported to the School's sponsor in a separate letter dated October 18, 2019.

Purpose of this Report

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

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
October 18, 2019

CINCINNATI LEARNING SCHOOLS
HAMILTON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2018

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

Finding Number 2018-001 – Material Weakness

The School maintains its records on the cash basis throughout the year and contracts with an outside consultant to convert its year end statements to conform to Generally Accepted Accounting Principles.

An effective system of internal control provides for the prevention or detection and timely correction of material misstatements of the financial statements. While management may obtain outside consultants to assist in the preparation of financial statements, management is responsible for reviewing and approving the work of those consultants and retains responsibility for the accuracy of those financial statements.

The School did not have an adequate process to detect financial statement errors in a timely manner and, accordingly, the financial statements required numerous adjustments. The most significant were:

- Intergovernmental receivables were understated by $53,619, including a receivable from the Ohio Department of Education in the amount of $49,868.
- Prepaid assets were overstated by $134,411, including payments to SERS and STRS of $133,000 for withholding of employee retirement funds and the related employer share.
- Capital assets were overstated by $109,105.
- Accounts payable were understated by $128,376, including unrecorded accrued expenses for lease of the facility in the amount of $75,333.
- Intergovernmental payables were understated by $24,127 for payments due to SERS and STRS.
- Notes payable were overstated by $26,296 due to a misclassification of payments between principal and interest.
- Other current liabilities were overstated by $312,339 due to the impact of misstatements in the financial statements, most of which are noted above.

There were also certain immaterial adjustments required which were not listed above.

Due to the closing of the School effective June 30, 2018, no recommendation is deemed necessary.

<u>Management Response:</u>

We did not receive a management response.

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OHIO AUDITOR OF STATE
KEITH FABER

CINCINNATI LEARNING SCHOOLS

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 5, 2019