HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY, OHIO

(AUDITED)

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Governors
Hamilton County Mathematics and Science Academy
2675 Civic Center Drive
Cincinnati, Ohio 45231

We have reviewed the Independent Auditor's Report of the Hamilton County Mathematics and Science Academy, Hamilton County, prepared by Julian & Grube, 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 Hamilton County Mathematics and Science Academy is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov

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HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY, OHIO

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Hamilton County Mathematics and Science Academy
Hamilton County
2675 Civic Center Drive
Cincinnati, Ohio 45231

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hamilton County Mathematics and Science 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 Hamilton County Mathematics and Science 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 Hamilton County Mathematics and Science Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of June 30, 2018, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2018, the Hamilton County Mathematics and Science Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the Hamilton County Mathematics and Science 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 Hamilton County Mathematics and Science Academy's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
January 25, 2019

The discussion and analysis of Hamilton County Mathematics and Science Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2018. 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 statement 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 2018 are as follows:

- Total net position increased $2,029,891 during fiscal year 2018, which represents a 32% increase from the prior year.

- Total assets decreased $106,481, which represents a 5% decrease from the prior year.

- The Academy reported an operating gain of $1,480,994 for fiscal year 2018. There was an increase in operating revenues of $73,348 and a decrease in operating expenses of $2,194,983.

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

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

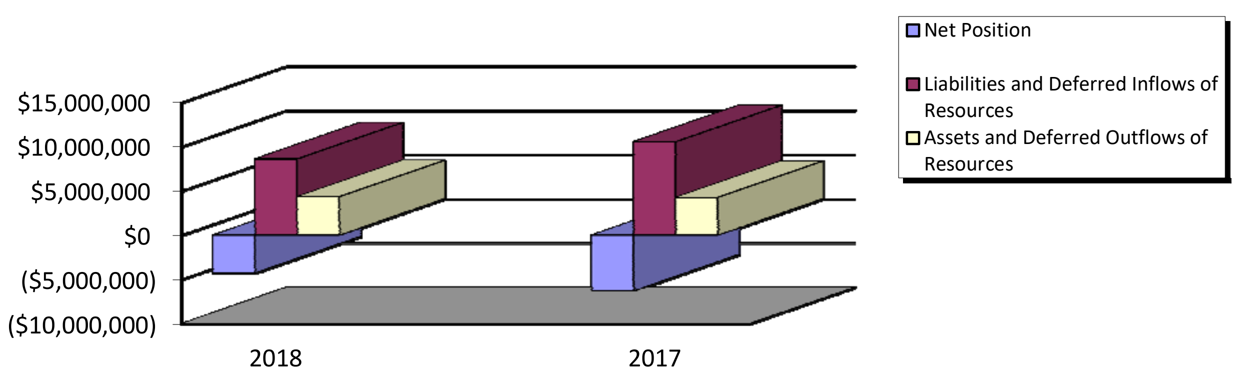
The view of the Academy as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of revenue, expenses and changes in net position answer this question. These statements include all assets, liabilities, deferred inflows/outflows 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 considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader whether, for the Academy as a whole, the financial position has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 1 provides a summary of the Academy's net position at June 30, 2018 as compared to June 30, 2017.

Table 1
Net Position

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	$340,955	$338,521
Capital Assets	1,826,151	1,935,066
Total Assets	2,167,106	2,273,587
Deferred Outflows of Resources:		
Pension	2,109,892	1,983,018
OPEB	70,623	7,419
Total Deferred Outflows of Resources	2,180,515	1,990,437
Liabilities:		
Other Liabilities	433,140	423,525
Long-Term Liabilities	7,838,391	10,126,285
Total Liabilities	8,271,531	10,549,810
Deferred Inflows of Resources:		
Pension	191,236	0
OPEB	150,939	10,190
Total Deferred Inflows of Resources	342,175	10,190
Net Position:		
Net Investment in Capital Assets	762,255	808,586
Restricted	59,478	1,138
Unrestricted	(5,087,818)	(7,105,700)
Total Net Position	($4,266,085)	($6,295,976)



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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($4,747,790) to ($6,295,976).

Total assets decreased by $106,481. This decrease was primarily due to a decrease in cash and cash equivalents of $56,840. Deferred outflows of resources increased $190,078 due to an increase in the net difference between projected and actual earnings on pension plan investments. Total liabilities decreased $2,278,279 primarily due to a decrease in net pension liability estimates. Deferred inflows of resources increased by $331,985 due to an increase in actuarially determined amounts.

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

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Table 2
Changes in Net Position

	Fiscal Year 2018	Fiscal Year 2017 - Restated
Operating Revenues:		
State Foundation	$4,369,353	$4,310,588
Charges for Services	2,973	17,569
Other Operating Revenues	166,369	137,190
Total Operating Revenues	4,538,695	4,465,347
Operating Expenses:		
Salaries	2,580,613	2,532,160
Fringe Benefits	(1,185,609)	1,300,866
Purchased Services	1,217,773	956,224
Materials and Supplies	310,242	228,790
Depreciation	108,915	114,961
Other Operating Expenses	25,767	119,683
Total Operating Expenses	3,057,701	5,252,684
Operating Loss/Gain	1,480,994	(787,337)
Non-Operating Revenues (Expenses):		
Interest Revenue	49	31
Intergovernmental	598,259	405,063
Interest Expense	(49,411)	(52,159)
Total Net Position	548,897	352,935
Change in Net Position	2,029,891	(434,402)
Net Position - Beginning of Year, Restated	(6,295,976)	N/A
Net Position - End of Year	($4,266,085)	($6,295,976)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $7,419 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $188,032. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$3,057,701
Negative OPEB expense under GASB 75	188,032
2018 contractually required contribution	12,954
Adjusted 2018 operating expenses	3,258,687
Total 2017 operating expenses under GASB 45	5,252,684
Change in operating expenses not related to OPEB	($1,993,997)

The negative fringe benefits amount is mainly due to the negative pension and OPEB expenses associated with net pension and OPEB liability. These changes are discussed further in the footnotes (note 7 and 8) and also the RSI footnote (note 1 – 4).

Total operating revenues increased $73,348 or 1.6% from the prior fiscal year. The increase was primarily due to an increase in other operating revenues from the prior year. Total operating expenses decreased $2,194,983 or 42% from the prior fiscal year. The decrease in expenses was due to changes related to net pension liability and other post-employment benefits liability. Nonoperating revenues from intergovernmental grants increased $193,214 from the prior fiscal year due to an increase in awards of federal grants from the State.

Capital Assets

At the end of fiscal year 2018, the Academy had $1,826,151 invested in land, a building, building and improvements, and furniture and equipment, which represented a decrease of $108,915 from the prior fiscal year.

Table 3 shows capital assets, net of accumulated depreciation at June 30, 2018 as compared to June 30, 2017:

Table 3
Capital Assets at Year End
(Net of Depreciation)

	Fiscal Year	
	2018	2017
Land	$180,000	$180,000
Building	1,274,054	1,315,152
Building and Improvements	311,869	343,714
Furniture and Equipment	60,228	96,200
	$1,826,151	$1,935,066

Capital assets decreased due to depreciation expense exceeding current year additions. For more information on capital assets, see note 4 of the notes to the basic financial statements.

Debt

At June 30, 2018, the Academy had $1,063,896 in debt outstanding, of which $65,459 is due within one year. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt

	2018	2017
Mortgage Promissory Note Payable	$1,063,896	$1,126,480

For more information on debt, see note 10 of the notes to the basic financial statements.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Hamilton County Mathematics and Science Academy 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 request for additional financial information should be directed to Hamilton County Mathematics and Science Academy, 2675 Civic Center Drive, Cincinnati, Ohio 45231.

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Hamilton County Mathematics and Science Academy
Statement of Net Position
June 30, 2018

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$157,191
Receivables:	
Accounts	14,716
Interest	7
Intergovernmental	169,041
Total Current Assets	340,955
Noncurrent Assets:	
Nondepreciable Capital Assets	180,000
Depreciable Capital Assets, Net	1,646,151
Total Noncurrent Assets	1,826,151
Total Assets	2,167,106
Deferred Outflows of Resources:	
Pension	2,109,892
OPEB	70,623
Total Deferred Outflows of Resources	2,180,515
Liabilities:	
Current Liabilities:	
Accounts Payable	112,020
Accrued Wages and Benefits	214,883
Intergovernmental payable	40,778
Mortgage Payable	65,459
Total Current Liabilities	433,140
Long-Term Liabilities:	
Mortgage Payable, Net of Current Portion	998,437
Net Pension Liability	5,573,070
Net OPEB Liability	1,266,884
Total Long-Term Liabilities	7,838,391
Total Liabilities	8,271,531
Deferred Inflows of Resources:	
Pension	191,236
OPEB	150,939
Total Deferred Inflows of Resources	342,175
Net Position:	
Net Investment in Capital Assets	762,255
Restricted	59,478
Unrestricted	(5,087,818)
Total Net Position	($4,266,085)

See accompanying notes to the basic financial statements.

Hamilton County Mathematics and Science Academy
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating Revenues:	
Charges for Services	$2,973
Foundation Payments	4,369,353
Other Operating Revenues	166,369
Total Operating Revenues	4,538,695
Operating Expenses:	
Salaries	2,580,613
Fringe Benefits	(1,185,609)
Purchased Services	1,217,773
Materials and Supplies	310,242
Depreciation	108,915
Other	25,767
Total Operating Expenses	3,057,701
Operating Gain	1,480,994
Non-Operating Revenues (Expenses):	
Investment Earnings	49
Interest (Expense)	(49,411)
Intergovernmental	598,259
Total Non-Operating Revenues	548,897
Change in Net Position	2,029,891
Net Position - Beginning of Year, Restated	(6,295,976)
Net Position - End of Year	($4,266,085)

See accompanying notes to the basic financial statements.

Hamilton County Mathematics and Science Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Cash Received from State Foundation	$4,372,209
Cash Received from Charges for Services	1,943
Cash Received from Other Operating Revenue	162,172
Cash Payments to Employees for Salaries and Benefits	(3,572,103)
Cash Payments to Purchased Services	(1,140,288)
Cash Payments for Materials and Supplies	(316,142)
Cash Payments for Other Expenses	(25,767)
Net Cash (Used) in Operating Activities	(517,976)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants	573,089
Net Cash Provided by Noncapital Financing Activities	573,089
Cash Flows from Capital and Related Financing Activities:	
Debt Principal Payments	(62,584)
Debt Interest Payments	(49,411)
Net Cash (Used) in Capital and Related Financing Activities	(111,995)
Cash Flows from Investing Activities:	
Earnings on Investments	42
Net Cash Provided by Cash Flows from Investing Activities	42
Net (Decrease) in Cash and Cash Equivalents	(56,840)
Cash and Cash Equivalents - Beginning of Year	214,031
Cash and Cash Equivalents - End of Year	157,191
Reconciliation of Operating Gain to Net Cash Gained in Operating Activities	
Operating Gain	1,480,994
Adjustments:	
Depreciation	108,915
Changes in Assets & Liabilities and deferred Inflows and Outflows:	
(Increase) Decrease in Receivables	(34,097)
(Increase) Decrease in Deferred Outflows of Resources	(190,078)
Increase (Decrease) in Payables	67,824
Increase (Decrease) in Accrued Liabilities	(61,083)
Increase (Decrease) in Deferred Inflows of Resources	331,985
Increase (Decrease) in Net Pension Liability	(1,933,715)
Increase (Decrease) in Net OPEB Liability	(288,721)
Net Cash (Used) in Operating Activities	($517,976)

See accompanying notes to the basic financial statements.

Note 1 – Description of the Reporting Entity

Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade eight. The Academy, which is part of the State's education program, is independent of any school Academy. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2001. However, the Ohio State Board of Education subsequently decided to suspend its sponsorship of community schools and the Academy obtained Lucas County Educational Service Center as its sponsor for the school year beginning July 1, 2005. Lucas County Educational Service Center was replaced by Educational Resource Consultants of Ohio Inc. as the Academy's sponsor in January 2006. Educational Resource Consultants of Ohio Inc. continued as the Academy's sponsor through June 2017. Buckeye Community Hope Foundation became the new sponsor effective July 1, 2017 and continued through the fiscal year.

The Academy operates under the direction of a five-member Board of Governors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 Board controls the Academy's one instructional/support facility staffed by 37 full-time teaching personnel who provided services to 607 FTE students.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. 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.

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows/outflows of resources 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 reflects how the Academy finances and meets its cash flow needs.

Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a formal budgetary process for the Academy; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents

All monies received by the Academy are maintained in demand deposit accounts. For internal accounting purposes, the Academy segregates its cash into separate funds. Total cash is presented as "cash and cash equivalents" on the accompanying statement of net position.

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 acquisition values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Building	40 Years
Building and Improvements	15 Years
Vehicles and Equipment	5 Years

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents amounts restricted for federal and state grant programs. The Academy first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. For the Academy, these revenues are primarily foundation payments and certain charges to students recorded as tuition and fees or charges for services. Operating expenses are necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy, including depreciation.

Nonoperating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various intergovernmental grants, interest revenue and interest expense comprise the nonoperating revenues and expenses of the Academy.

Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2018, including:

Wages Payable – Salary payments made after year-end that were for services rendered in fiscal year 2018. Teaching personnel are paid in 24 equal installments, ending with the first pay period in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2018 for all salary payments made to teaching personnel during the months of July and beginning of August 2018.

Intergovernmental payable – Payments made for the employer's share of the retirement contributions ($37,922), associated with services rendered during fiscal year 2018, but that were not paid until the subsequent fiscal year are the major expense in this category.

Federal Tax Exemption Status

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

Estimates

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

Pensions/Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pensions and OPEB plans are discussed in Notes 7 and 8.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include amounts related to OPEB and pensions, which will be further discussed in Notes 7 and 8.

Note 3 – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, $0 of the Academy's bank balance of $173,345 was exposed to custodial credit risk because it was insured and collateralized.

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

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

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

Note 4 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated:				
Land	$180,000	$0	$0	$180,000
Capital Assets, being depreciated:				
Building	1,643,937	0	0	1,643,937
Buildings and Improvements	501,915	0	0	501,915
Furniture and Equipment	516,363	0	0	516,363
Totals at Historical Cost	2,842,215	0	0	2,842,215
Less Accumulated Depreciation:				
Building	328,785	41,098	0	369,883
Buildings and Improvements	158,201	31,845	0	190,046
Furniture and Equipment	420,163	35,972	0	456,135
Total Accumulated Depreciation	907,149	108,915	0	1,016,064
Governmental Activities Capital Assets, Net	$1,935,066	($108,915)	$0	$1,826,151

Note 5 – Receivables

Receivables at June 30, 2018 primarily consist of intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

Receivables	Amounts
IDEA-Part B	$42,245
Title I-A	53,447
Title IV-A	8,081
Due From SERS	19,381
National School Lunch Program	29,792
Workers Compensation Refund	9,489
Total	$162,435

Note 6 – Risk Management

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 2018, the Academy contracted with Philadelphia Insurance Company for general liability coverage of $3 million, automobile liability coverage of $1 million, and umbrella coverage of $2 million.

There have been no significant reductions in insurance coverage from the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the past four fiscal years.

Worker's Compensation

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

Note 7 - 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 employer'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 obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer 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 the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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 on or 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 year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% 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% for plan members and 14% 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%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was $98,409 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% 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 at 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $310,638 for fiscal year 2018. Of this amount $25,927 is reported as intergovernmental payable.

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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the 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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$1,285,468	$4,287,602	$5,573,070
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02151490%	0.01804910%	
Prior Measurement Date	0.02171680%	0.01767787%	
Change in Proportionate Share	-0.00020190%	0.00037123%	
Pension Expense	$1,977	($1,472,473)	($1,470,496)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$55,322	$165,567	$220,889
Changes of assumptions	66,473	937,746	1,004,219
Changes in employer proportionate share of net pension liability	49,272	426,465	475,737
Contributions subsequent to the measurement date	98,409	310,638	409,047
Total Deferred Outflows of Resources	$269,476	$1,840,416	$2,109,892
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$34,556	$34,556
Net difference between projected and actual earnings on pension plan investments	6,102	141,496	147,598
Changes in employer proportionate share of net pension liability	9,082	0	9,082
Total Deferred Inflows of Resources	$15,184	$176,052	$191,236

$409,047 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$87,928	$377,484	$465,412
2020	81,091	583,840	664,931
2021	16,831	317,500	334,331
2022	(29,967)	74,902	44,935
Total	$155,883	$1,353,726	$1,509,609

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, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the 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.

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50%. 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 7.50%. 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 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 7.50%, 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 6.50%, or one percentage point higher 8.50% than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$1,783,895	$1,285,468	$867,933

Changes in Benefit Terms

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	$6,146,132	$4,287,602	$2,722,070

Changes in Assumptions

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

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 8 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care 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, 0.5% 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 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was $9,309.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was $12,954 for fiscal year 2018. Of this amount $9,309 is reported as intergovernmental payable.

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.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability was based on the employer's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$562,675	$704,209	$1,266,884
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02096610%	0.01804910%	
Prior Measurement Date	0.02140734%	0.01767787%	
Change in Proportionate Share	-0.00044124%	0.00037123%	
OPEB Expense	$24,019	($212,051)	($188,032)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$40,652	$40,652
Changes in employer proportionate share of net pension liability	0	17,017	17,017
Contributions subsequent to the measurement date	12,954	0	12,954
Total Deferred Outflows of Resources	$12,954	$57,669	$70,623
Deferred Inflows of Resources			
Changes of assumptions	$53,395	$56,726	$110,121
Net difference between projected and actual earnings on pension plan investments	1,486	30,100	31,586
Changes in employer proportionate share of net penson liability	9,232	0	9,232
Total Deferred Inflows of Resources	$64,113	$86,826	$150,939

$12,954 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($23,062)	($7,368)	($30,430)
2020	(23,062)	(7,368)	(30,430)
2021	(17,617)	(7,368)	(24,985)
2022	(371)	(7,368)	(7,739)
2023	0	157	157
Thereafter	0	157	157
Total	($64,112)	($29,158)	($93,270)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56%
Prior Measurement Date	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63%
Prior Measurement Date	2.98%
Medical Trend Assumption	
Medicare	5.50% to 5.00%
Pre-Medicare	7.50% to 5.00%

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

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

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

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	$679,502	$562,675	$470,118

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	$456,569	$562,675	$703,109

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, 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) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced 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. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10 year annualized geometric nominal returns, which includes the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	$945,390	$704,209	$513,598

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	$489,254	$704,209	$987,115

Changes in Assumptions – STRS

For fiscal year 2018, 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) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced 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.

Note 9 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Governors. Administrators and classified staff earn up to ten days of vacation per year, depending upon the position, schedule hours, and length of service.

Each full-time employee receives three personal days per calendar year. Personal days not used at the end of the calendar year are lost.

Each full-time employee can earn sick leave up to a maximum of 15 days.

Insurance Benefits

The Academy provides health and life insurance to all employees through a private carrier.

Note 10 - Long-Term Obligations

The changes in the Academy's long-term obligations during the fiscal year consist of the following:

	Restated Beginning Outstanding	Additions	Deductions	Ending Outstanding	Due In One Year
Promissory Note-Foundation Bank	$1,126,480	$0	$62,584	$1,063,896	$65,459
Net Pension Liability:					
STRS	5,917,316	0	1,629,714	4,287,602	0
SERS	1,589,469	0	304,001	1,285,468	0
Total Net Pension Liability	7,506,785	0	1,933,715	5,573,070	0
Net OPEB Liability:					
STRS	945,417	0	241,208	704,209	0
SERS	610,188	0	47,513	562,675	0
Total Net OPEB Liability	1,555,605	0	288,721	1,266,884	0
Total Long-Term Obligations	$10,188,870	$0	$2,285,020	$7,903,850	$65,459

The Academy purchased a building (located at 2675 Civic Center Drive, Cincinnati, Ohio) in March 2010 for $1,800,000 through PNC Bank with a $1,440,000 mortgage, 60 month note at 6% containing a balloon payment in March 2015. The Academy received extensions on the loan until it was able to refinance it in November 2015.

On November 12, 2015, the Academy signed a promissory note with Foundation Bank to refinance existing loans and notes. The note was issued for $1,220,000 at a fixed interest rate of 4.5%. Commencing on December 12, 2015, the Academy was required to make monthly principal and interest payments of approximately $9,333 for 46 months with a balloon payment due on November 12, 2020. This note is secured by a mortgage on the Academy's building.

Principal and interest obligations on the promissory note are as follows:

Fiscal Year	Promissory Note - Foundation Bank		
Ending June 30:	Principal	Interest	Total
2019	$65,459	$46,537	$111,996
2020	68,467	43,529	111,996
2021	929,970	17,215	947,185
	$1,063,896	$107,281	$1,171,177

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Note 11 – Contingencies

Litigation

The Academy is not currently party to litigation.

Grants

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

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 ODE is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2018.

As of the date of this report, an additional ODE adjustment for fiscal year 2018 have been finalized. The conclusion of this adjustment resulted in the Academy owing $2,856 to the Ohio Department of Education. This amount has been reported as an intergovernmental payable in the accompanying financial statements. In addition, the Academy's contract with Buckeye Community Hope Foundation, requires payment based on revenues received from the State. Additional FTE adjustments for fiscal year 2018 could happen, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

Note 12 – Purchased Services

For the fiscal year ended June 30, 2018, purchased services expenses were payments for services rendered by various vendors as follows:

Professsional and Technical Services	$488,399
Property Services	309,854
Communication	57,160
Utilities	82,445
Food Service	212,723
Other	67,192
Total Purchased Services	$1,217,773

Note 13 – Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the Academy has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 82, Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, and GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB Statement No. 81 sets out to improve 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. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures for 2018.

GASB Statement No. 86 sets out to improve 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. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Academy.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Academy’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit 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, 2017:

Net position June 30, 2017	($4,747,790)
Adjustments:	
Net OPEB Liabililty	(1,555,605)
Deferred Outflow - Payments Subsequent to Measurement Date	7,419
Restated Net Position June 30, 2017	($6,295,976)

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.

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REQUIRED SUPPLEMENTARY INFORMATION

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.01804910%	0.01767787%	0.01743332%	0.01483001%	0.01483001%
Academy's Proportionate Share of the Net Pension Liability	$4,287,602	$5,917,316	$4,818,060	$3,607,172	$4,296,840
Academy's Covered Payroll	$2,008,079	$1,946,793	$1,876,436	$1,556,246	$1,644,046
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213.52%	303.95%	256.77%	231.79%	261.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.02151490%	0.02171680%	0.02144864%	0.01881499%	0.01881499%
Academy's Proportionate Share of the Net Pension Liability	$1,285,468	$1,589,469	$1,223,880	$952,216	$1,118,867
Academy's Covered Payroll	$780,843	$707,743	$642,003	$539,827	$585,036
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	164.63%	224.58%	190.63%	176.39%	191.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of Academy Contributions
for Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$310,638	$281,131	$272,551	$262,701	$202,312
Contributions in Relation to the Contractually Required Contribution	(310,638)	(281,131)	(272,551)	(262,701)	(202,312)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$2,218,843	$2,008,079	$1,946,793	$1,876,436	$1,556,246
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%

See accompanying notes to the required supplementary information.

2013	2012	2011	2010	2009
$213,726	$204,028	$228,408	$177,925	$137,868
(213,726)	(204,028)	(228,408)	(177,925)	(137,868)
$0	$0	$0	$0	$0
$1,644,046	$1,569,446	$1,756,985	$1,368,654	$1,060,523
13.00%	13.00%	13.00%	13.00%	13.00%

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of Academy Contributions
for Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$98,409	$109,318	$99,084	$84,616	$74,820
Contributions in Relation to the Contractually Required Contribution	(98,409)	(109,318)	(99,084)	(84,616)	(74,820)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Academy Covered Payroll	$728,956	$780,843	$707,743	$642,003	$539,827
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%

See accompanying notes to the required supplementary information.

2013	2012	2011	2010	2009
$80,969	$74,082	$67,332	$65,027	$63,076
(80,969)	(74,082)	(67,332)	(65,027)	(63,076)
$0	$0	$0	$0	$0
$585,036	$535,275	$486,503	$469,848	$455,751
13.84%	13.84%	13.84%	13.84%	13.84%

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share
of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
Academy's Proportion of the Net OPEB Liability	0.01804910%	0.01767787%
Academy's Proportionate Share of the Net OPEB Liability	$704,209	$945,417
Academy's Covered Payroll	$2,008,079	$1,946,793
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.07%	48.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share
of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
Academy's Proportion of the Net OPEB Liability	0.02096610%	0.02140734%
Academy's Proportionate Share of the Net OPEB Liability	$562,675	$610,188
Academy's Covered Payroll	$780,843	$707,743
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	72.06%	86.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of Academy Contributions to
Postemployment Benefits Other Than Pension (OPEB)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	$0	$0	$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
Academy Covered Payroll	$2,218,843	$2,008,079	$1,946,793
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
Required Supplementary Information
Schedule of Academy Contributions to
Postemployment Benefits Other Than Pension (OPEB)
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	$12,954	$7,419	$8,257
Contributions to OPEB in Relation to the Contractually Required Contribution	(12,954)	(7,419)	(8,257)
Contribution Deficiency (Excess)	$0	$0	$0
Academy Covered Payroll	$728,956	$780,843	$707,743
Contributions to OPEB as a Percentage of Covered Payroll	1.78%	0.95%	1.17%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

Note 1 - SERS Change in Assumptions-Net Pension Liability

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Note 2 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

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

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 3 - SERS Change in Assumptions-Net OPEB Liability

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 4 - STRS Change in Assumptions-Net OPEB Liability

For fiscal year 2018, 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)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced 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 2020.

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Hamilton County Mathematics and Science Academy
Hamilton County
2675 Civic Center Drive
Cincinnati, Ohio 45231

To the Board of Governors:

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 Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hamilton County Mathematics and Science Academy's basic financial statements and have issued our report thereon dated January 25, 2019, wherein we noted as discussed in Note 13, the Hamilton County Mathematics and Science Academy adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Hamilton County Mathematics and Science 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 Hamilton County Mathematics and Science 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 Hamilton County Mathematics and Science Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
January 25, 2019

HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY, OHIO

STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:
2017-001	Noncompliance and Material Weakness - Maintenance of Accounting System - Ohio Admin. Code § 117-2-02(A), states, in part, all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. The Academy posted summarized transactions rather than individualized transactions.	Yes	N/A
2017-002	Material Weakness - Financial Statement Presentation – Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions. Several adjustments were made to the financial statements for the fiscal year ended June 30, 2017, to properly state the net pension liability and the related deferred outflows/inflows of resources, as well as Intergovernmental receivables and Intergovernmental payables. In addition, there were several adjustments made to the financial statement presentation and the related notes to the financial statements.	Yes	N/A
2017-003	Noncompliance and Material Weakness - Meeting Minutes - Ohio Revised Code Section 121.22 requires the minutes of a regular or special meeting of any public body be promptly prepared, filed, and maintained and shall be open to public inspection. The Academy had certain deficiencies in its Board meeting minutes.	Yes	N/A

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OHIO AUDITOR OF STATE
KEITH FABER

HAMILTON COUNTY MATHEMATICS AND SCIENCE 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
APRIL 2, 2019