CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the West End Cincinnati Victory Partners, LLC (LLC), a joint venture in which the Academy has an equity interest; the Academy reports their portion of the LLC Members' Capital as an Investment in LLC, and the change in Members' Capital as an Increase (Loss) on Investment in LLC on the accompanying financial statements. This investment in LLC balance represents 9.1 percent of total assets and the Loss on Investment in LLC represents 100 percent of total non-operating expenses. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amount included for the Investment in LLC and the Loss on Investment in LLC, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati College Preparatory Academy, Hamilton County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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.

Supplementary and Other Information

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

This page intentionally left blank.

The discussion and analysis of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statement and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- For fiscal year 2017 net position was $1,558,865 although the result of reporting *GASB 68 Accounting and Financial Reporting for Pension* reduced the Academy's net position by $7,769,370 at June 30, 2017.

- The Academy derived 98 percent of their revenues through federal and state programs.

- Salaries and benefits accounted for 66 percent of the $8,043,692 in operating expenses for fiscal year 2017.

- The Academy saw the cash increase by $1.2 million during the fiscal year and finished the year with over $4.1 million in the cash balance.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those 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.

The statement of net position presents information on all the Academy's assets, deferred outflows, liabilities and deferred inflows, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Academy's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

Table 1 provides a summary of the Academy's net position for fiscal year 2016 compared to fiscal year 2017.

Table 1
Net position

	2017	2016	Change
Assets			
Current assets	$4,317,893	$3,120,505	$1,197,388
Investment in LLC	900,513	969,407	(68,894)
Capital assets, net	4,722,278	4,912,772	(190,494)
Total assets	9,940,684	9,002,684	$938,000
Deferred Outflows - Pension	2,645,944	1,505,574	1,140,370
Liabilities			
Current liabilities	612,449	570,270	42,179
Long term liabilities			
Other Long term liabilities	0	7,815	(7,815)
Net Pension Liability	10,411,753	8,220,662	2,191,091
Total liabilities	11,024,202	8,798,747	2,225,455
Deferred Inflows - Pension	3,561	537,595	(534,034)
Net position			
Net investment in capital assets	4,714,463	4,891,659	(177,196)
Restricted	0	2,700	(2,700)
Unrestricted	(3,155,598)	(3,722,443)	566,845
Total net position	$1,558,865	$1,171,916	$386,949

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

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

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

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

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

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

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

The Academy saw current assets increase at the Academy as the cash balance increased over $1.2 million with the Academy's cash management program to control expenses and use the revenue sources efficiently. The Academy saw the capital asset decrease as the current year depreciation exceeded the current year additions by over $190,000. The current liabilities increased as the accrued wages increased over three percent.

Table 2 shows the change in net position for the year ended 2017 compared to fiscal year 2016.

Table 2
Change in Net position

	2017	2016	Change
Revenues			
Operating revenues:			
Foundation payments	$6,943,897	$6,996,610	($52,713)
Rental	93,182	93,091	91
Classroom fees	3,016	646	2,370
Charges for services	0	9,979	(9,979)
Other operating revenues	22,987	7,315	15,672
Non-operating revenues:			
Interest	19,087	1,446	17,641
Federal and state grants	1,417,366	1,850,221	(432,855)
Total revenues	8,499,535	8,959,308	(459,773)
Expenses			
Operating expenses:			
Salaries	3,685,519	3,520,515	165,004
Fringe benefits	1,647,300	1,099,854	547,446
Purchased services	1,724,867	1,919,456	(194,589)
Materials and supplies	530,942	506,039	24,903
Depreciation	343,980	382,398	(38,418)
Other expenses	111,084	56,605	54,479
Non-Operating Expenses:			
Loss on investment in LLC	68,894	46,963	21,931
Total Expenses	8,112,586	7,531,830	580,756
Change in Net position	386,949	1,427,478	($1,040,529)
Beginning Net position	1,171,916	(255,562)	
Ending Net position	$1,558,865	$1,171,916	

The Academy saw total revenues decrease from 2016 to 2017 mainly from the decrease in federal and state grants as fewer students qualified for the federal title programs. The foundation revenue did drop slightly with the reduction in FTE from fiscal year 2016. The Academy also saw total expenses increase by almost eight percent. The increase in fringe benefits is misleading as the recognition of certain items related to the net pension amounts increased it by $516,686 for the year.

Capital Assets

At the end of 2017, the Academy had $4,722,278 (net of $3,634,901 in accumulated depreciation) invested in land, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2017 balances compared to fiscal year 2016:

Table 3
Capital Assets at June 30 (net)

	2017	2016	Change
Building and Improvements	$4,538,410	$4,762,998	($224,588)
Furniture and Equipment	146,614	149,132	(2,518)
Vehicles	37,254	642	36,612
Totals	$4,722,278	$4,912,772	($190,494)

The decrease in building and improvements relates to the Academy's current year depreciation exceeding additions. For more information on the Academy's capital assets refer to note 5 of the notes to the financial statements.

Debt

At June 30, 2017, the Academy an outstanding capital lease payable of $7,815. For more information on the Academy's debt refer to note 8 of the notes to financial statements.

Current Financial Issues

The Academy continues to increase enrollment annually. The Academy received funding in 2017 based on 957 FTE students. The Academy receives its finances mostly from state aid. As of the November 2017 foundation report, the Academy is now being funded at 905 FTE students which is about $341,000 less in foundation revenue than fiscal year 2017.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact the Academy Treasurer, Doug Mangen, 6640 Poe Avenue, Suite 400, Dayton, Ohio 45414 or by calling (937) 264-8588.

This page intentionally left blank.

Cincinnati College Preparatory Academy
Hamilton County
Statement of Net Position

As of June 30, 2017

Assets:	
Current assets:	
Cash and cash equivalents	$ 4,136,453
Intergovernmental receivable	181,440
Total current assets	4,317,893
Noncurrent assets:	
Investment in LLC	900,513
Depreciable Capital assets	4,722,278
Total noncurrent assets	5,622,791
Total Assets	9,940,684
Deferred Outflows of Resources:	
Pension	2,645,944
Total Deferred Outflows of Resources:	2,645,944
Liabilities:	
Current liabilities	
Accounts payable	122,335
Accrued wages and benefits payable	416,723
Intergovernmental	65,576
Lease payable - Current	7,815
Total current liabilities	612,449
Long-Term Liabilities	
Net Pension Liability	10,411,753
Total Liabilities	11,024,202
Deferred Inflows of Resources:	
Pension	3,561
Total Deferred Inflows of Resources:	3,561
Net Position	
Net investment in capital assets	4,714,463
Unrestricted	(3,155,598)
Total Net Position	$ 1,558,865

See accompanying notes to the basic financial statements

Cincinnati College Preparatory Academy
Hamilton County
Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

Operating Revenues:		
Foundation payments	$	6,943,897
Rental		93,182
Classroom fees		3,016
Other operating revenues		22,987
Total operating revenues		7,063,082
Operating Expenses:		
Salaries		3,685,519
Fringe benefits		1,647,300
Purchased services		1,724,867
Materials and supplies		530,942
Depreciation		343,980
Other operating expenses		111,084
Total operating expenses		8,043,692
Operating Loss		(980,610)
Non-Operating Revenues (Expense):		
Loss on Investment in LLC		(68,894)
Federal and State grants		1,417,366
Interest		19,087
Total non-operating revenues (expenses)		1,367,559
Change in net position		386,949
Net position at beginning of year		1,171,916
Net position at end of year	$	1,558,865

See accompanying notes to the basic financial statements

Cincinnati College Preparatory Academy
Hamilton County
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

Change in cash and cash equivalents

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 7,091,176
Cash received from rental activity	109,332
Cash received from materials and fees and other charges for services	3,016
Cash received from other operating revenues	23,204
Cash payments for personal services	(4,787,589)
Cash payments for contract services	(1,772,084)
Cash payments for supplies and materials	(524,114)
Cash payments for other expenses	(110,879)
Net cash provided by operating activities	32,062
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	1,358,655
Cash flows from capital and related financing activities:	
Acquisition of Capital Assets	(153,486)
Principal paid on debt obligations	(13,298)
Net cash used by capital and related financing activities	(166,784)
Cash flows from investing activities:	
Investment income	19,087
Net change in cash and cash equivalents	1,243,020
Cash and Cash Equivalents at beginning of year	2,893,433
Cash and Cash Equivalents at end of year	4,136,453

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	(980,610)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	343,980
Change in assets and liabilities:	
Decrease in accounts receivable	16,367
Decrease in intergovernmental receivable	87,976
Increase in accounts payable	39,215
Increase in accrued wages and benefits	12,390
Increase Net Pension Liability	2,191,091
Change in Deferred Outflows/Inflows	(1,674,404)
Decrease in intergovernmental payable	(3,943)
Net cash provided by operating activities	$ 32,062

See accompanying notes to the basic financial statements

This page intentionally left blank.

1. DESCRIPTION OF THE REPORTING ENTITY

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

Cincinnati College Preparatory Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

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, 1999. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy currently has a sponsorship agreement with Kid's Count of Dayton, Inc.

The Academy operates under the direction of an eight-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by certified full time teaching personnel who provide services to 957 funded students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. 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 track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus and Basis of Accounting

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

C. 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 prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

D. Cash and Cash Equivalents

To improve cash management, cash received by the Academy is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Academy records. Interest in the pool is presented on the financial statements as "Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are presented on the financial statements as cash equivalents.

During fiscal year 2017, the Academy invested in the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on the fund's quoted market prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2017.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are presented on the financial statements as cash equivalents.

E. Capital Assets and Depreciation

Capital Assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure.

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

All reported capital assets except land 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 and Improvements	1-50 years
Furniture and Equipment	5 years
Vehicles	5 years

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts awarded under grants and entitlements for the year ended June 30, 2017 totaled $8,361,263.

G. Net position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any barrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Pensions

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

3. DEPOSITS AND INVESTMENTS

Monies held by the Academy are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Academy treasury. Such monies must be maintained either as cash in the Academy treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

3. DEPOSITS AND INVESTMENTS (continued)

Interim monies held by the Academy may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;

7. The State Treasurer's investment pool (STAROhio); and,

8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

At June 30, 2017, the carrying amount of the Academy's deposits was $868,676 and the bank balance was $1,076,492. $826,492 of the bank balance was not covered by Federal Depository Insurance Corporation (FDIC).

3. DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

Investments

As of June 30, 2017, the Academy had the following investments:

	Fair Value	Fair Value Measurement Using	Average Year to Maturity	S&P Rating
STAROhio	$3,270,533	Level 1	0.10	AAAm

Fair Value Measurement: Fair value as defined by GASB Statement No. 72 requires the Academy to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable). As discussed further in Note 2E, STAR Ohio is reported at its share price.

Interest Rate Risk: The Academy's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Academy, and that an investment must be purchased with the expectation that it will be held to maturity.

3. DEPOSITS AND INVESTMENTS (continued)

Credit Risk: The S&P ratings of the Academy's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Academy's investment policy limits investments to those authorized by State statute.

4. RECEIVABLES

Receivables at June 30, 2017, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considers collectable in full. A summary of the principal items of receivables follows:

Intergovernmental	Amount
Federal Subsidy Food Service	$78,830
Title VI-B Grant	3,244
Title I Grant	99,366
	$181,440

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Capital Assets Being Depreciated				
Building and Improvements	$6,931,816	$32,175	$0	$6,963,991
Furniture and Equipment	1,192,799	84,057	0	1,276,856
Vehicles	79,078	37,254	0	116,332
Total Capital Assets Being Depreciated	8,203,693	153,486	0	8,357,179
Less Accumulated Depreciation				
Building and Improvements	(2,168,818)	(256,763)	0	(2,425,581)
Furniture and Equipment	(1,043,667)	(86,575)	0	(1,130,242)
Vehicles	(78,436)	(642)	0	(79,078)
Total Accumulated Depreciation	(3,290,921)	(343,980)	0	(3,634,901)
Capital Assets, Net	$4,912,772	($190,494)	$0	$4,722,278

6. INVESTMENT IN LIMITED LIABLITY COMPANY (LLC)

West End Cincinnati Victory Partners, LLC, Inc. (Company) is an Ohio limited liability company organized in 2005 under the laws of the State of Ohio to acquire, develop, and improve real estate located in Cincinnati, Ohio for the functional use of its members. The Company was formed by the Academy and the Young Men's Christian Association of Greater Cincinnati (YMCA). Both members are tax-exempt organizations under Section 501 (c) (3) of the Internal Revenue Code.

Based on the Company's operating agreement and the initial capital contributions, CCPA has 75 membership units and the YMCA has 25 membership units. Additional capital contributions were required under the operating agreement to fund the development and improvements to the real estate. Annually, the members, subject to mutual agreement, contribute additional capital to the Company based on operation needs in proportion to their membership units.

The Company will continue to operate until the sale or disposition of the assets of the Company unless terminated earlier according to the terms of the operating agreement.

The Academy accounts for the Company as an equity interest in a joint venture. The Academy's equity interest in the Company is reported in the statement of net position, and the Academy's share of the Company's change in net position is reported in the statement or revenues, expenses and changes in net position.

The YMCA is the managing partner of the Company. The Academy also initially funded the Company through an entity contribution of $750,750 and seen the balance grow to $1,450,750. The beginning balance was $969,407 and for fiscal year 2017 the Academy's share of the operating deficit of ($68,894) resulting in an investment of $900,513.

7. DEBT

The Academy has the following outstanding long term obligations as of June 30, 2017.

Description	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Due Within One Year
Capital Lease Payable	$21,113	$0	$13,298	$7,815	$7,815
Net Pension Liability					
SERS	1,364,841	424,930	0	1,789,771	0
STRS	6,855,821	1,766,161	0	8,621,982	0
Total	$8,241,775	$2,191,091	$13,298	$10,419,568	$7,815

In July 2011, the Academy entered into a capital lease with Hewlett-Packward for the purchase of computer equipment. The lease is for five years and carries an implicit interest rate of 4.94%. The Academy also has a capital lease with US Bank Equipment Finance for copiers and computer equipment.

8. CAPITAL LEASES PAYABLE

In prior years, the Academy entered into a capital lease for apple computers and other equipment totaling $208,866. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenses on the financial statements. These expenses are reflected as program expenses on a budgetary basis. Principal payments in fiscal year 2017 totaled $13,298 and interest payments of $0.

The following is a schedule of the future minimum lease payments required under the capital leases as of June 30, 2017:

Fiscal Year Ending June 30,	Capital Leases Payable Principal	Interest	Total
2018	$7,815	$0	$7,815

9. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2017, the Academy contracted with the Netherlands Insurance Company for general liability, property and educational errors and omissions insurance. Coverage provided includes the following with a $10,000 deductible in total:

General Liability (no deductible):	
Per occurrence	$1,000,000
Total per year	2,000,000
Building and Contents	2,000,000
Auto Liability	1,000,000
School Leaders	1,000,000
Educational Errors and Omissions	1,000,000
Umbrella Liability	3,000,000

Settled claims have not exceeded coverage in the past three years. There has been no significant change in coverage from last year.

9. RISK MANAGEMENT (continued)

B. 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.

10. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

10. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – The Academy's 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.

10. DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. Nothing was allocated to the Health Care Fund for fiscal year 2017.

The Academy's contractually required contribution to SERS was $118,304 for fiscal year 2017. Of this amount $11,427 is reported as an intergovernmental payable.

10. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The Academy's 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65 or 35 years of service and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% 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 services. 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.

10. DEFINED BENEFIT PENSION PLANS (continued)

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 has therefore included all three plan options as one defined benefit plan for 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 ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $396,174 for fiscal year 2017. Of this amount $33,337 is reported as an 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

10. DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$1,789,771	$8,621,982	$10,411,753
Proportion of the Net Pension Liability	0.024454%	0.02575801%	
Pension Expense	$202,928	$649,536	$852,464

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$23,920	$344,699	$368,619
Differences between actual/proportionate share	2,389	0	2,389
Net difference between projected and actual earnings on pension plan investments	151,892	786,403	938,295
Changes in proportion share	49,076	653,610	702,686
Changes in assumptions	119,477	0	119,477
PCLC contributions subsequent to the measurement date	118,304	396,174	514,478
Total Deferred Outflows of Resources	$465,058	$2,180,886	$2,645,944
Deferred Inflows of Resources			
Differences between actual/proportionate share	$0	$3,561	$3,561

$514,478 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$96,856	$400,281	$497,137
2019	96,706	400,281	496,987
2020	110,751	643,319	754,070
2021	42,441	337,270	379,711
Total	$346,754	$1,781,151	$2,127,905

10. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

10. DEFINED BENEFIT PENSION PLANS (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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	10.00	5.00
Multi-Asset Strategies	15.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

10. DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$2,369,545	$1,789,771	$1,304,476

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

10. DEFINED BENEFIT PENSION PLANS (continued)

Asset Class	Allocation	Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$11,457,914	$8,621,982	$6,229,707

Change between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend the cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the Academy's net pension liability is expected to be significant.

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits
In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan
Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. 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. By statute 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 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The Academy's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were $13,966, $11,715, and $6,463, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

11. POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS allocated 0 percent of the employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0 respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

12. OTHER EMPLOYEE BENEFITS

The Academy provides life and medical/surgical to most employees through United Health Care of Ohio and dental benefits through Guardian.

13. CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2017.

B. State Funding

The Academy's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, the Academy must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end.

14. PURCHASED SERVICES

For the period July 1, 2016 through June 30, 2017, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	$858,459
Utilities	145,829
Food Service	454,431
Communications	1,673
Property Services	263,055
Other	1,420
Total Purchased	$1,724,867

15. RELATED PARTY TRANSACTIONS

An agreement was entered into in February 2005 between the YMCA and the Academy to form "West End Cincinnati Victory Partners." The LLC owns and maintains the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC.

16. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2017, the Academy implemented the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The implementation of these standards had no impact on the financial position of the Academy.

This page intentionally left blank.

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
The Academy's Proportion of the Net Pension Liability	0.024454%	0.023919%	0.022904%	0.022904%
The Academy's Proportion Share of the Net Pension Liability	1,789,771	1,364,841	1,159,158	1,362,027
The Academy's Covered-Employee Payroll	724,664	786,153	544,023	703,367
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	246.98%	173.61%	213.07%	193.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
The Academy's Proportion of the Net Pension Liability	0.02575801%	0.02480661%	0.02178700%	0.02178700%
The Academy's Proportion Share of the Net Pension Liability	8,621,982	6,855,821	5,299,348	6,312,548
The Academy's Covered-Employee Payroll	2,449,907	2,391,759	1,634,546	2,246,623
The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	351.93%	286.64%	324.21%	280.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 118,304	$ 101,453	$ 103,615	$ 71,267	$ 97,346	$ 127,614	$ 111,866	$ 92,305	$ 128,591	$ 68,474
Contributions in Relation to the Contractually Required Contribution	(118,304)	(101,453)	(103,615)	(71,267)	(97,346)	(127,614)	(111,866)	(92,305)	(128,591)	(68,474)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered-Employee Payroll	$ 845,029	$ 724,664	$ 786,153	$ 544,023	$ 703,367	$ 948,803	$ 889,944	$ 681,721	$ 1,306,819	$ 697,291
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.10%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 396,174	$ 342,987	$ 334,846	$ 212,491	$ 292,061	$ 263,155	$ 282,354	$ 252,678	$ 246,200	$ 230,376
Contributions in Relation to the Contractually Required Contribution	(396,174)	(342,987)	(334,846)	(212,491)	(292,061)	(263,155)	(282,354)	(252,678)	(246,200)	(230,376)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Academy Covered-Employee Payroll	$ 2,829,814	$ 2,449,907	$ 2,391,759	$ 1,634,546	$ 2,246,623	$ 2,024,269	$ 2,171,954	$ 1,943,677	$ 1,893,846	$ 1,772,123
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Information before fiscal year 2011 is not available

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
National School Breakfast	10.553	3L70	158,435
National School Lunch	10.555	3L60	359,286
Total U.S. Department of Agriculture			**517,721**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education - Grants to States	84.027	3M20	244,744
Title I Grants to Local Education Agencies	84.010	3M00	532,471
Total U.S. Department of Education			**777,215**
Total Expenditures of Federal Awards			**$1,294,936**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of CINCINNATI COLLEGE PREPARATORY ACADEMY (the Academy's) under programs of the federal government for the year ended JUNE 30, 2017. The information on this Schedule is prepared on the cash basis of accounting.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

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

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 22, 2018. Our report refers to other auditors who audited the financial statements of the West End Cincinnati Victory Partners, LLC as it relates to the amount included for the Investment in LLC and the Loss on Investment in LLC as described in our report on the Academy's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. The financial statements of the West End Cincinnati Victory Partners, LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Cincinnati College Preparatory Academy's (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Cincinnati College Preparatory Academy's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal program.

Management's Responsibility

The Academy's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on the Major Federal Program

In our opinion, the Cincinnati College Preparatory Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #84.010 -Title I Grants to Local Educational Agencies
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

This page intentionally left blank.

Dave Yost • Auditor of State

CINCINNATI COLLEGE PREPARATORY 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
MARCH 29, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov