



Dave Yost • Auditor of State

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Cincinnati Generation Academy
Hamilton County
Ohio Department of Education
Office of School Sponsorship (Sponsor)
25 South Front Street
Columbus, Ohio 43215

To Cincinnati Generation Academy:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Cincinnati Generation Academy, Hamilton County, Ohio (the Academy), as of an 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Cincinnati Generation Academy, Hamilton County, Ohio, as of June 30, 2017, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 2 to the financial statements, during 2017, the Academy has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 13 to the financial statements, the Academy closed on June 30, 2017. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 15, 2019

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

The management's discussion and analysis of Cincinnati Generation Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal 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 our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the Academy are as follows:

- The total assets and net position of the Academy were \$5,811 as of June 30, 2017. Of this amount, the net position is restricted to federally funded programs.
- The Academy's net position decreased by \$14,402 during the fiscal year. The Academy's operating receipts of approximately \$0.7 million and non-operating receipts of \$0.3 million exceeded operating disbursements of approximately \$1 million.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

Report Components

The statement of net position and the statement of cash receipts, disbursements, and changes in net position provide information about the Academy as a whole.

The management's discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of two components: the financial statements and the notes to the financial statements.

The statement of net position and the statement of cash receipts, disbursements, and changes in net position reflect how the Academy did financially during the fiscal year. The change in net position is important because it tells the reader whether the cash position of the Academy has increased or decreased during the period.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements using the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Financial Analysis

Table 1 provides a summary of the Academy's net position at fiscal year-end for June 30, 2017 and June 30, 2016. The June 30, 2016 information has been restated as the Academy presented information on a GAAP basis in the prior year.

**Table 1
Net Position at Year End**

	<u>2017</u>	<u>2016 Restated</u>
Assets:		
Cash and Cash Equivalents	\$ 5,811	\$ 20,213
Total Assets	<u>5,811</u>	<u>20,213</u>
Net Position:		
Restricted	<u>5,811</u>	<u>20,213</u>
Total Net Position	<u>\$ 5,811</u>	<u>\$ 20,213</u>

The decrease in cash and cash equivalents represents the amount in which operating and non-operating receipts were exceeded by disbursements during the fiscal year.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2017 and June 30, 2016.

**Table 2
Change in Net Position**

	2017	2016 Restated
Operating receipts:		
Foundation receipts	\$625,283	\$956,902
Miscellaneous	36,089	11,554
Total Operating receipts	661,372	\$968,456
Operating Disbursements:		
Salaries and Wages	491,007	543,104
Fringe benefits	164,644	120,843
Purchased services	293,541	466,218
Materials and supplies	31,928	38,830
Other expenses	159	0
Total Operating Disbursements	981,279	1,168,995
 Operating Loss	 (319,907)	 (200,539)
Nonoperating Receipts		
Federal and State Grants	305,505	216,431
 Change in Net Position	 (14,402)	 15,892
Beginning Net Position - Restated	20,213	4,321
Ending Net Position	\$5,811	\$20,213

Operating Receipts and Operating Disbursements both decreased significantly in comparison with the prior fiscal year. These decreases are primarily the result of decreased enrollment.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Non-operating Receipts increased from the prior year as the amount received for federal and state grants increased as the timing on fiscal year 2016 grant requests were received during the current fiscal year.

Budget Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five-year forecast, which is updated on an annual basis.

Debt

The Academy has no outstanding debt at June 30, 2017.

Current Financial Issues

The Academy saw the enrollment drop from the prior year which has resulted in the Academy not opening for fiscal year 2018. The Academy is officially closed as of June 30, 2017 according to the Ohio Department of Education.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of Cincinnati Generation Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Cincinnati Generation Academy, c/o Treasurer, 7243 Eastlawn Drive, Cincinnati, Ohio 45237, (513) 389-0968.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
AS OF JUNE 30, 2017

Assets

Cash and Cash Equivalents	\$ 5,811
Total Assets	<u>5,811</u>

Net Position

Restricted for:	
Federally Funded Programs	5,811
Total Net Position	<u>\$ 5,811</u>

See Accompanying Notes to the Financial Statements

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Receipts:	
State Foundation	\$ 625,283
Miscellaneous	36,089
Total Operating Receipts	<u>661,372</u>
Operating Disbursements:	
Salaries and Wages	491,007
Fringe Benefits	164,644
Purchased Services	293,541
Materials and Supplies	31,928
Other	159
Total Operating Disbursements	<u>981,279</u>
Operating Loss	(319,907)
Non-Operating Receipts (Disbursements):	
Federal and State Grants	<u>305,505</u>
Change in Net Position	(14,402)
Net Position at Beginning of the Year - Restated	<u>20,213</u>
Net Position at End of the Year	<u><u>\$ 5,811</u></u>

See Accompanying Notes to the Financial Statements

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 - DESCRIPTION OF THE ACADEMY

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

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

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements, which have applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and financial position.

B. 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 cash basis of accounting. With the exception of investment purchases and sales, receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. The Academy had no investments at fiscal year-end.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. Budgetary Process

Unlike other public Schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five-year forecast, which is updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the Academy are deposited in a demand deposit account.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets at fiscal year-end.

F. Inventory and Prepaid Items

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Academy's cash basis of accounting.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The Academy recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Accrued Liabilities and Long-Term Obligations

The Academy's modified cash basis financial statements do not report liabilities for accrued liabilities and long-term obligations.

K. Deferred Inflows and Outflows of Resources

The Academy's modified cash basis financial statements do not report deferred outflows and inflows of resources. The Academy recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

L. Net Position

Net position represents cash. 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 had \$5,811 of restricted net position for Federally Funded Programs and Other Programs at fiscal year-end.

The Academy's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

M. Operating Receipts and Disbursements

Operating receipts are those revenues that are generated directly from the primary activity of the Academy. Operating disbursements are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All receipts and disbursements not meeting this definition are reported as non-operating.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 3 - DEPOSITS

At fiscal year-end, the carrying amount of the Academy's deposits was \$5,811 and the bank balance was \$10,140. The Academy's entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank 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 has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 4 - PENSION PLANS

Net Pension Liability

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

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

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

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 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 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent and nothing was allocated to the Health Care Fund.

The Academy paid \$17,920 to SERS during fiscal year 2017.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 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 paid \$84,210 to STRS during fiscal year 2017.

Net Pension Liability

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 projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability	0.0031261%	0.00433135%	
Proportionate Share of the Net Pension Liability	\$228,802	\$1,449,833	\$1,678,635

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.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - 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	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 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

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.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
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	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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.

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 <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Academy's proportionate share of the net pension liability	\$302,919	\$228,802	\$166,762

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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:

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
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	<u>1.00</u>	<u>3.00</u>
Total	<u>100.00 %</u>	<u>7.61 %</u>

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - PENSION PLANS (continued)

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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$1,926,711	\$1,449,833	\$1,047,599

NOTE 5 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 - POSTEMPLOYMENT BENEFITS (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, 0.00 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's payments for health care, including the surcharge, for the fiscal years ended June 30, 2017, 2016, and 2015 were \$1,138, \$0, and \$1,644, respectively.

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 did not allocate any employer contributions to post-employment health care. The Academy's payments for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 6 - SPONSORSHIP AGREEMENT

The Academy has entered into a sponsorship agreement with Ohio Department of Education (Sponsor) whereby the Sponsor shall receive compensation for services provided to the Academy. As part of this agreement, the Academy shall compensate the Sponsor three percent (3%) of the per-pupil allocation (foundation) paid to the Academy by the State of Ohio. For this fee, the Sponsor shall provide the Academy with fiscal oversight and administrative support related to the following:

- Monitor the Academy's compliance with all laws applicable to the Academy and with the terms of the contract;
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the Academy at least once during the contract term;
- Report, by November 30, the results of evaluation conducted under the sponsorship agreement to the Ohio Department of Education and to the parents of students enrolled in the Academy;
- Provide technical assistance to the Academy in complying with laws applicable to the terms of the contract;
- Take steps to intervene in the Academy's operation, to the extent reasonable and within available resources, to correct problems in the Academy's overall performance, declare the Academy to be on probationary status pursuant to section 3314.073 of the Revised Code, suspend the operation of the Academy pursuant to section 3314.072 of the Revised Code, or terminate the contract of the Academy pursuant to section 3314.07 of the Revised Code as determined necessary; and
- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or closes prior to the end of the school year.

During the fiscal year, the Academy paid the Sponsor \$19,585 under this agreement.

NOTE 7 – RISK MANAGEMENT

Property and liability – The Academy is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the Academy contracted with Cincinnati Insurance Company for business personal property, director and officer liability, and general liability insurance. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000.00 in the aggregate with \$1,000.00 deductible. The Cincinnati Insurance Company also provides umbrella liability coverage of \$6,000,000.00 per occurrence, as well as, in the aggregate.

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

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

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 7 – RISK MANAGEMENT (Continued)

Worker’s Compensation

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

NOTE 8 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2017, if applicable, cannot be determined at this time. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at fiscal year-end.

B. State Foundation Funding - Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Community schools must comply with minimum hours of instruction, instead of 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, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time.

C. Litigation - The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 9 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund balance/net position, and disclosures that, while material, cannot be determined at this time.

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10 - PURCHASED SERVICES

During the fiscal year, purchased services expenses were as follows:

Professional Technical Services	\$87,576
Property Services	4,522
Communications	5,386
Utilities	3,247
Food Service	39,268
Leases	9,676
Other	27,556
Total	<u>\$293,541</u>

NOTE 11 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the Academy has implemented the following:

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The implementation of this statement did not have an effect on the financial statements of the Academy.

NOTE 12 – CHANGE IN ACCOUNTING METHODS AND RESTATEMENT OF NET POSITION

In fiscal year 2016, the Academy reported their financial statements on the generally accepted accounting principles method. The Academy switched accounting methods and reported fiscal year 2017 under the cash basis method. The following items were removed to restate the beginning net position of the Academy.

Net Position at June 30, 2016	(\$266)
Minus:	
Intergovernmental Receivables	(183,535)
Prepayments	(869)
Deferred Outflows of Resources - pension	(863,532)
Plus:	
Accrued Wages and Benefits	82,205
Net Pension Liability	941,430
Deferred Inflows of Resources – pension	44,780
Restated Net Position at June 30, 2016	<u>\$20,213</u>

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 13 – SUBSEQUENT EVENTS

The Academy’s sponsorship agreement with Ohio Department of Education expired and was not renewed, therefore, the Academy discontinued operations on June 30, 2017, and is currently in the process of dissolving the remaining assets and liabilities.

The following schedule summarizes the cash receipts and disbursements of the Academy from July 1, 2017 through January 31, 2018, as well as remaining obligations outstanding as of January 31, 2018:

Operating Receipts	
Casino Revenue	\$2,217
Miscellaneous Revenue	12,187
Total Operating Receipts	14,404
Operating Disbursements:	
Salaries and Fringe Benefits	11,649
Purchased Services	14,176
Other	2,041
Total Operating Disbursements	27,866
Non-Operating Receipts	
Federal and State Grants	12,649
Net Decrease in Cash	(813)
Beginning Cash, July 1, 2017	5,811
Ending Cash, January 31, 2018	\$4,998

Vendor	Obligation Outstanding	Type of Service
Auditor of State	\$4,231	Audit fees
Federal Program Consulting, Inc.	332	E-Rate
Freking Myers & Paul	137	Legal
Hamilton County ESC	13,411	EMIS/Fiscal support
Ohio BWC	225	Workers compensation
Paradyn Technologies	1,425	IT Services
Personnel Concepts	693	Employment information
Peter Paul Office Equipment	1,197	Copier lease
Pitney Bowes	189	Meter lease
Stigler Supply	1,282	Office supplies
Turning Point Ministries	41,150	Building lease
Walker Janitorial	2,375	Custodial Services
Salaries owed	59,833	Salaries
Retirement owes	8,377	Retirement contributions (employer)
Medicare	868	Medicare
Total	\$135,725	

OHIO AUDITOR OF STATE KEITH FABER



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

Cincinnati Generation Academy
Hamilton County
Ohio Department of Education
Office of School Sponsorship (Sponsor)
25 South Front Street
Columbus, Ohio 43215

To Cincinnati Generation Academy:

We have audited in accordance with auditing standards generally accepted in the United States and Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the Cincinnati Generation 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 February 15, 2019, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles, and wherein we noted the Academy closed effective June 30, 2017.

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 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-004.

Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. We did not receive a response from Officials to Finding #2017-004.

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.



Keith Faber
Auditor of State
Columbus, Ohio

February 15, 2019

**CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Finding for Recovery Repaid Under Audit

The Cincinnati Generation Academy (the Academy) closed and ceased operations on June 30, 2017. During the Ohio Department of Education's fiscal year 2017 final reconciliation process, it was noted that the Academy received \$670,096 and the supporting reconciled student data indicated the Academy was entitled to receive \$666,247, resulting in a balance owed to the Ohio Department of Education in the amount of \$3,849. During the fiscal year 2017 final #2 reconciliation process, a credit was calculated in the amount of \$20, reducing the amount owed to the Ohio Department of Education to \$3,829.

In accordance with the foregoing facts and circumstances, a Finding for Recovery is hereby issued against Cincinnati Generation Academy in the amount of \$3,829 and in favor of the Ohio Department of Education.

The Academy repaid the \$3,829 to the Treasurer of State on May 13, 2018.

Officials' Response:

The Academy was not aware that this was owed until the Academy had closed and the final reconciliation had been performed by the Ohio Department of Education. Once the Academy was made aware this was owed, a check was issued and sent to the Ohio Department of Education.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 117.38, provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Further, **Ohio Admin. Code § 117-2-03(B)**, requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. The Academy did not prepare its annual financial report in accordance with generally accepted accounting principles. Instead, the Academy prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Officials' Response:

The Academy closed at the end of the 2016-2017 School Year due to the lack of operating funds. Since the Academy did not have the financial resources to pay a consultant to compile Generally Accepted Accounting Principles financial statements, the decision was made by the Board that they could afford to pay a consultant to compile cash basis financial statements that the Academy could make available for audit.

FINDING NUMBER 2017-003

Noncompliance/Finding for Recovery Repaid Under Audit

Ohio Rev. Code, § 5747.13(A), provides that if any employer collects the tax imposed by section 5747.02 or under Chapter 5748 of the Revised Code and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that that the employer fails to remit, or any amount that the employer fails to collect. If any employer, taxpayer, or qualifying entity required to file a return under this chapter fails to file the return within the time prescribed, files an incorrect return, fails to remit the full amount of the taxes due for the period covered by the return, or fails to remit any additional tax as a result of a reduction in the amount of the credit allowed under division (B) of section 5747.05 of the Revised Code together with interest on the additional tax within the time prescribed by that division, the tax commissioner may make an assessment against any person liable for any deficiency for the period for which the return is or taxes are due, based upon any information in the commissioner's possession.

During fiscal year 2017, the Academy withheld Ohio state income taxes from its employees' pay. However, the withholdings for the months of October 2016 through February 2017 were not remitted until March 7, 2017 and the withholdings for the months of April 2017 through June 2017 were not remitted until September 7, 2017. For the month of March 2017, the Academy withheld but did not remit \$949 to the Ohio Department of Taxation.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Treasurer Michael Ashmore and the Treasurer's bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$949 and in favor of the Ohio Department of Taxation. The Academy repaid the \$949 to the Ohio Department of Taxation on May 13, 2018.

Officials' Response:

This was due to oversight that was pointed out to the Academy during the audit. Once it was pointed out, a check was issued to the Ohio Department of Taxation.

FINDING NUMBER 2017-004

Noncompliance

Ohio Rev. Code, § 3314.17(C), states that each fiscal officer appointed under section 3314.011 of the Revised Code is responsible for annually reporting the community school's data under section 3301.0714 of the Revised Code. Ohio Rev. Code, Section 3301.0714(B)(1) required the Academy to report attendance rates and the average daily attendance for the year to the Ohio Department of Education.

Ohio Rev. Code, § 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the community school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student.

For the period July 1, 2016 through June 30, 2017, the Academy failed to maintain records of student absences. Without such records, the Academy could not monitor student attendance for compliance with the 105 hour rule.

We recommend the Academy maintain proper supporting documentation for student absences, and withdraw a student once the student reaches the 105 consecutive hours of absences.

Officials' Response:

We did not receive a response from Officials to this finding.

Cincinnati Generation Academy
4998 Guards Lane
Cincinnati, OH 45244

CINCINNATI GENERATION ACADEMY
HAMILTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Failure to properly record accrued wages and benefits in the Academy's financial statements.	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



CINCINNATI GENERATION ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2019**