

**HAMILTON COUNTY MATHEMATICS AND
SCIENCE ACADEMY**
HAMILTON COUNTY, OHIO

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



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Board of Education
Hamilton County Mathematics & Science Academy
2675 Civic Center Drive
Cincinnati, Ohio 45231

We have reviewed the *Independent Auditor's Report* of the Hamilton County Mathematics & Science Academy, Hamilton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery – Bank Overdraft Fees

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005: Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

From July 13, 2018 to June 14, 2019, Hamilton County Mathematics and Science Academy paid bank overdraft fees nine times for a total of \$1,110. These bank overdraft fees are not a proper public purpose.

Hamilton County Mathematics and Science Academy Board Policy 148.6.6.h states the Principal or his/her designee will monitor the credit card account(s) and reconcile all credit card accounts on a monthly basis. Policy 148.6 states that for purposes of this policy credit cards are defined to include business check cards and debit cards. The Academy used debit cards for purchases which were automatically withdrawn from the bank account. The Principal, Dwan Moore, had the responsibility of monitoring the bank account.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is issued against Dan Mpagi, Treasurer and his bonding company, Merchants Bonding Company and Dwan Moore, Principal in the amount of \$1,110 in favor of Hamilton County Mathematics and Science Academy’s General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y.

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Gen. No. 80-074: Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att’y. Gen. No. 80-074.

The Board of Directors – Arthur Cobb, Dorothy Wilson, Melonee Ridgeway, Staci Bell, and Hideo Core will be jointly and severally liable in the amount of \$1,110 in favor of Hamilton County Mathematics and Science Academy’s General Fund.

Finding for Recovery – Sales Tax

Ohio Rev. Code § 5739.03(B)(1) states ,in part, if any sale is claimed to be exempt... or if the consumer claims the transaction is not a taxable sale..., the consumer must provide to the vendor, and the vendor must obtain from the consumer, a certificate specifying the reason that the sale is not legally subject to the tax.

Ohio Admin Code 5703-9-03(B)(1) states that all sales are presumed to be taxable until the contrary is established. If a purchaser claims that tax does not apply to a transaction, the purchaser must provide a fully completed exemption certificate to the vendor or seller. The exemption certificate may be provided electronically or in hard copy. The vendor must retain the fully completed exemption certificate in its files.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Academy Board Policy 148.6 adopted December 11, 2017 states the School is a nonprofit instrumentality of the State of Ohio. Tax exemption forms shall be utilized and are available in the Principal’s office. Upon receipt of a School credit card, employees shall inform merchants that the purchase is for “Official School Business” and is not subject to State or local sales tax. For large purchases where the merchant refuses to waive the tax, the employee shall present a tax exemption form. Contrary to Board policy, the Academy paid \$2,264 in sales tax on purchases of goods using debit cards during fiscal year 2019. Debit cards are held by and supervised by the Principal. The payment of sales tax for a nonprofit instrumentality is not deemed a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dwan Moore, Principal in the amount of \$2,264 in favor of Hamilton County Mathematics and Science Academy’s General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y. Gen. No. 80-074: Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such

funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att’y. Gen. No. 80-074.

The Board of Directors – Arthur Cobb, Dorothy Wilson, Melonee Ridgeway, Staci Bell, and Hideo Core and Dan Mpagi, Treasurer and his bonding company, Merchants Bonding Company will be jointly and severally liable in the amount of \$2,264 in favor of Hamilton County Mathematics and Science Academy’s General Fund.

Finding for Recovery – Unsupported Expenditures

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Academy Board Policy 148.6 adopted December 11, 2017 states that for purposes of this policy credit cards are defined to include business check cards and debit cards. The Board recognizes the convenience and efficiency afforded by the use of School credit cards. A credit card shall not be used in order to circumvent the general purchasing procedures established by State law and Board policy. The Board affirms that credit cards shall only be used in connection with Board-approved or School-related activities and that only those types of expenses that are for the benefit of the School and serve a valid and proper public purpose shall be paid for by credit card. All credit cards issued to and in the name of Hamilton Mathematics and Science Academy shall be held and supervised by the Principal. The policy also states that all employees shall maintain sufficient documentation of all purchases, including, but not limited to, charge receipts, original cash register slip or other detailed receipt, and invoices and provide documentation of all purchases to the Principal in a timely manner to ensure prompt payment. The Principal or his/her designee will monitor the credit card account(s) and reconcile all credit card accounts on a monthly basis.

During fiscal year 2019, Hamilton County Mathematics and Science Academy purchased various goods. Supporting documentation was not provided for these expenditures as required by Academy Board Policy. These items could not be determined to serve a proper public purpose.

Date	Vendor	Amount	Fund
7/25/18	Best Buy	\$271.75	Fund 001 – General
9/11/18	Lowes	96.62	Fund 001 – General
11/21/18	Walmart	174.95	Fund 001 – General
4/8/19	CVS Pharmacy	23.43	Fund 001 – General
4/8/19	Kroger	58.55	Fund 001 - General
	Total	\$625.30	

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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding of Recovery for public monies illegally expended is hereby issued against Dwan Moore, Principal in the amount of \$625 in favor of Hamilton County Mathematics and Science Academy's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y. Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att'y. Gen. No. 80-074.

The Board of Directors – Arthur Cobb, Dorothy Wilson, Melonee Ridgeway, Staci Bell, and Hideo Core and Dan Mpagi, Treasurer and his bonding company, Merchants Bonding Company will be jointly and severally liable in the amount of \$625 in favor of Hamilton County Mathematics and Science Academy's General Fund.

The Auditor of State is conducting an investigation of the Academy, any potential findings related to controls or compliance will be reported in a future report.

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



Keith Faber
Auditor of State
Columbus, Ohio

May 12, 2022

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY, OHIO**

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Independent Auditor's Report

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hamilton County Mathematics and Science Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The Hamilton County Mathematics and Science Academy provided supplemental contracts to several employees in the estimated amount of \$235,000, or approximately 8% of total salary expense. We were unable to obtain sufficient appropriate audit evidence to support salary expense and possible related fringe benefit expense and substantiate that the additional duties in certain supplemental contracts did not overlap with duties listed in the initial annual contract. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of June 30, 2019, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Hamilton County Mathematics and Science Academy. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022, on our consideration of the Hamilton County Mathematics and Science Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hamilton County Mathematics and Science Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hamilton County Mathematics and Science Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.
March 18, 2022

**Hamilton County Mathematics and Science Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

The discussion and analysis of Hamilton County Mathematics and Science Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Total net position decreased \$18,506 during fiscal year 2019, which represents a less than 1% decrease from the prior year.
- Total assets increased \$134,879, which represents a 6% increase from the prior year.
- The Academy reported an operating loss of \$586,885 for fiscal year 2019. There was an increase in operating revenues of \$36,214 and an increase in operating expenses of \$2,104,093.

Using this Financial Report

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

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

The view of the Academy as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of revenue, expenses and changes in net position answer this question. These statements include all assets, liabilities, deferred inflows/outflows of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

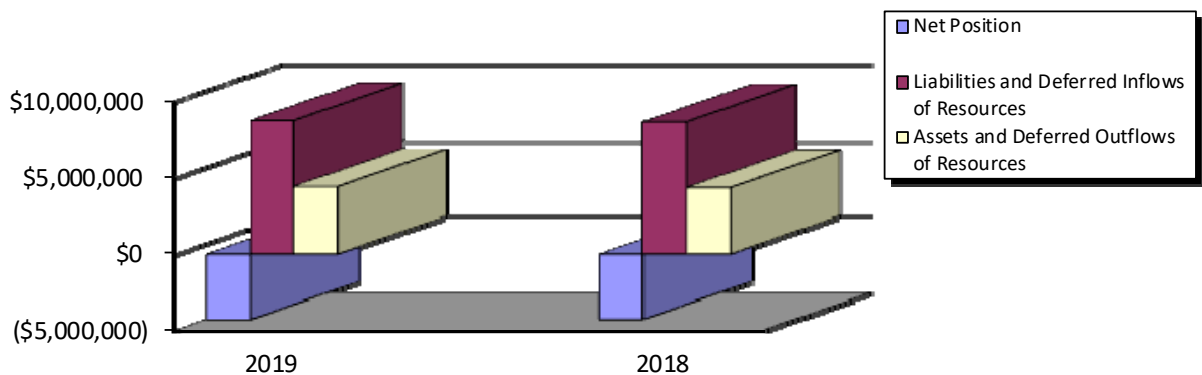
These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader whether, for the Academy as a whole, the financial position has improved or diminished. The causes of this may be the result of many factors, some financial,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

Table 1 provides a summary of the Academy's net position at June 30, 2019 as compared to June 30, 2018.

**Hamilton County Mathematics and Science Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	Fiscal Year	
	2019	2018
Assets:		
Current and Other Assets	\$217,595	\$340,955
Net OPEB Asset	291,878	0
Capital Assets	1,792,512	1,826,151
Total Assets	2,301,985	2,167,106
Deferred Outflows of Resources:		
Pension	1,853,879	2,109,892
OPEB	258,015	70,623
Total Deferred Outflows of Resources	2,111,894	2,180,515
Liabilities:		
Other Liabilities	464,213	433,140
Long-Term Liabilities	7,387,919	7,838,391
Total Liabilities	7,852,132	8,271,531
Deferred Inflows of Resources:		
Pension	320,531	191,236
OPEB	525,807	150,939
Total Deferred Inflows of Resources	846,338	342,175
Net Position:		
Net Investment in Capital Assets	794,075	762,255
Restricted	5,870	59,478
Unrestricted	(5,084,536)	(5,087,818)
Total Net Position	(\$4,284,591)	(\$4,266,085)



**Hamilton County Mathematics and Science Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Total assets increased by \$134,879. This increase was primarily due to the net OPEB asset. Deferred outflows of resources decreased \$68,621 due to a decrease in the net difference between projected and actual earnings on pension plan investments. Total liabilities decreased \$419,399 primarily due to a decrease in net pension liability and OPEB estimates. Deferred inflows of resources increased by \$504,163 due to an increase in actuarially determined amounts.

Table 2 shows the changes in net position for fiscal years 2019 and 2018.

**Table 2
Changes in Net Position**

	Fiscal Year	
	2019	2018
Operating Revenues:		
State Foundation	\$4,451,117	\$4,369,353
Charges for Services	18,908	2,973
Other Operating Revenues	104,884	166,369
Total Operating Revenues	<u>4,574,909</u>	<u>4,538,695</u>
Operating Expenses:		
Salaries	2,869,817	2,580,613
Fringe Benefits	793,053	(1,185,609)
Purchased Services	1,096,559	1,217,773
Materials and Supplies	264,137	310,242
Depreciation	112,575	108,915
Other Operating Expenses	25,653	25,767
Total Operating Expenses	<u>5,161,794</u>	<u>3,057,701</u>
Operating (Loss)/Gain	<u>(586,885)</u>	<u>1,480,994</u>
Non-Operating Revenues (Expenses):		
Interest Revenue	28	49
Intergovernmental	614,888	598,259
Interest Expense	(46,537)	(49,411)
Total Non-Operating Revenues	<u>568,379</u>	<u>548,897</u>
Change in Net Position	(18,506)	2,029,891
Net Position - Beginning of Year	<u>(4,266,085)</u>	<u>(6,295,976)</u>
Net Position - End of Year	<u><u>(\$4,284,591)</u></u>	<u><u>(\$4,266,085)</u></u>

**Hamilton County Mathematics and Science Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Total operating expenses increased from 2018 to 2019 mainly due to changes related to net pension liability and net OPEB liability.

Total operating revenues increased \$36,214 or 0.8% from the prior fiscal year. The increase was primarily due to an increase in state foundation revenues from the prior year. Nonoperating revenues from intergovernmental grants increased \$16,629 from the prior fiscal year due to an increase in awards of federal grants from the State.

Capital Assets

At the end of fiscal year 2019, the Academy had \$1,792,512 invested in land, a building, building and improvements, and furniture and equipment, which represented a decrease of \$33,639 from the prior fiscal year.

Table 3 shows capital assets, net of accumulated depreciation at June 30, 2019 as compared to June 30, 2018:

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

	Fiscal Year	
	2019	2018
Land	\$180,000	\$180,000
Building	1,232,956	1,274,054
Building and Improvements	319,150	311,869
Furniture and Equipment	60,406	60,228
	<u>\$1,792,512</u>	<u>\$1,826,151</u>

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

Debt

At June 30, 2019, the Academy had \$998,437 in debt outstanding, of which \$68,467 is due within one year. Table 4 summarizes outstanding debt.

**Table 4
Outstanding Debt**

	2019	2018
Mortgage Promissory Note Payable	\$998,437	\$1,063,896

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

**Hamilton County Mathematics and Science Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Hamilton County Mathematics and Science Academy finances and to show the Academy's accountability for the money it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or request for additional financial information should be directed to Hamilton County Mathematics and Science Academy, 2675 Civic Center Drive, Cincinnati, Ohio 45231.

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Hamilton County Mathematics and Science Academy
Statement of Net Position
June 30, 2019

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$62,305
Receivables:	
Accounts	15,074
Interest	4
Intergovernmental	<u>140,212</u>
Total Current Assets	<u>217,595</u>
Noncurrent Assets:	
Net OPEB Asset	291,878
Nondepreciable Capital Assets	180,000
Depreciable Capital Assets, Net	<u>1,612,512</u>
Total Noncurrent Assets	<u>2,084,390</u>
Total Assets	<u>2,301,985</u>
Deferred Outflows of Resources:	
Pension	1,853,879
OPEB	<u>258,015</u>
Total Deferred Outflows of Resources	<u>2,111,894</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	116,662
Accrued Wages and Benefits	237,473
Intergovernmental payable	41,611
Mortgage Payable	<u>68,467</u>
Total Current Liabilities	<u>464,213</u>
Long-Term Liabilities:	
Mortgage Payable, Net of Current Portion	929,970
Net Pension Liability	5,671,208
Net OPEB Liability	<u>786,741</u>
Total Long-Term Liabilities	<u>7,387,919</u>
Total Liabilities	<u>7,852,132</u>
Deferred Inflows of Resources:	
Pension	320,531
OPEB	<u>525,807</u>
Total Deferred Inflows of Resources	<u>846,338</u>
Net Position:	
Net Investment in Capital Assets	794,075
Restricted	5,870
Unrestricted	<u>(5,084,536)</u>
Total Net Position	<u><u>(\$4,284,591)</u></u>

See accompanying notes to the basic financial statements.

Hamilton County Mathematics and Science Academy
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

Operating Revenues:	
Charges for Services	\$18,908
Foundation Payments	4,451,117
Other Operating Revenues	104,884
Total Operating Revenues	<u>4,574,909</u>
Operating Expenses:	
Salaries	2,869,817
Fringe Benefits	793,053
Purchased Services	1,096,559
Materials and Supplies	264,137
Depreciation	112,575
Other	25,653
Total Operating Expenses	<u>5,161,794</u>
Operating (Loss)	<u>(586,885)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	28
Interest (Expense)	(46,537)
Intergovernmental	614,888
Total Non-Operating Revenues	<u>568,379</u>
Change in Net Position	(18,506)
Net Position - Beginning of Year	<u>(4,266,085)</u>
Net Position - End of Year	<u><u>(\$4,284,591)</u></u>

See accompanying notes to the basic financial statements.

Hamilton County Mathematics and Science Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$4,451,011
Cash Received from Charges for Services	18,430
Cash Received from Other Operating Revenue	105,214
Cash Payments to Employees for Salaries and Benefits	(3,742,984)
Cash Payments to Purchased Services	(1,100,777)
Cash Payments for Materials and Supplies	(259,038)
Cash Payments for Other Expenses	<u>(25,653)</u>
Net Cash (Used) in Operating Activities	<u>(553,797)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants	<u>649,812</u>
Net Cash Provided by Noncapital Financing Activities	<u>649,812</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(78,936)
Debt Principal Payments	(65,459)
Debt Interest Payments	<u>(46,537)</u>
Net Cash (Used) in Capital and Related Financing Activities	(190,932)
Cash Flows from Investing Activities:	
Earnings on Investments	<u>31</u>
Net Cash Provided by Cash Flows from Investing Activities	<u>31</u>
Net (Decrease) in Cash and Cash Equivalents	(94,886)
Cash and Cash Equivalents - Beginning of Year	<u>157,191</u>
Cash and Cash Equivalents - End of Year	<u><u>62,305</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	(586,885)
Adjustments:	
Depreciation	112,575
Changes in Assets & Liabilities and deferred Inflows and Outflows:	
(Increase) Decrease in Receivables	(6,453)
(Increase) Decrease in OPEB Asset	(291,878)
(Increase) Decrease in Deferred Outflows of Resources	68,621
Increase (Decrease) in Payables	4,642
Increase (Decrease) in Accrued Liabilities	23,423
Increase (Decrease) in Deferred Inflows of Resources	504,163
Increase (Decrease) in Net Pension Liability	98,138
Increase (Decrease) in Net OPEB Liability	<u>(480,143)</u>
Net Cash (Used) in Operating Activities	<u><u>(\$553,797)</u></u>

See accompanying notes to the basic financial statements.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 – Description of the Reporting Entity

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

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

The Academy operates under the direction of a five-member Board of Governors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 35 full-time teaching personnel who provided services to 619 FTE students.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

Measurement Focus and Basis of Accounting

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

Budgetary Process

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

Cash and Cash Equivalents

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

Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

<u>Description</u>	<u>Estimated Lives</u>
Building	40 Years
Building and Improvements	15 Years
Furniture and Equipment	5 Years

Net Position

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

Operating Revenues and Expenses

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

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

Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2019, including:

Wages Payable – Salary payments made after year-end that were for services rendered in fiscal year 2019. Teaching personnel are paid in 24 equal installments, ending with the first pay period in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2019 for all salary payments made to teaching personnel during the months of July and beginning of August 2019.

Intergovernmental payable – Payments made for the employer's share of the retirement contributions (\$35,726), associated with services rendered during fiscal year 2019, but that were not paid until the subsequent fiscal year are the major expense in this category.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Federal Tax Exemption Status

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

Estimates

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

Pensions/Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

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

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

Note 3 – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2019, \$0 of the Academy's bank balance of \$62,306 was exposed to custodial credit risk because it was insured and collateralized.

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

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Note 4 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets, not being depreciated:</i>				
Land	\$180,000	\$0	\$0	\$180,000
<i>Capital Assets, being depreciated:</i>				
Building	1,643,937	0	0	1,643,937
Building and Improvements	501,915	43,992	0	545,907
Furniture and Equipment	516,363	34,944	0	551,307
Totals at Historical Cost	<u>2,842,215</u>	<u>78,936</u>	<u>0</u>	<u>2,921,151</u>
Less Accumulated Depreciation:				
Building	369,883	41,098	0	410,981
Building and Improvements	190,046	36,711	0	226,757
Furniture and Equipment	456,135	34,766	0	490,901
Total Accumulated Depreciation	<u>1,016,064</u>	<u>112,575</u>	<u>0</u>	<u>1,128,639</u>
Capital Assets, Net	<u>\$1,826,151</u>	<u>(\$33,639)</u>	<u>\$0</u>	<u>\$1,792,512</u>

Note 5 – Receivables

Receivables at June 30, 2019 primarily consist of intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amounts</u>
IDEA-Part B	\$42,245
Title I-A	53,447
Title VI-A	2,227
Due From SERS	25,476
Casino Tax	16,817
	<u> </u>
Total	<u>\$140,212</u>

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 6 – Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2019, the Academy contracted with Philadelphia Insurance Company for general liability coverage of \$3 million, automobile liability coverage of \$1 million, and umbrella coverage of \$5 million.

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

Worker's Compensation

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

Note 7 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payables on the accrual basis of accounting.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

District 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the District 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$96,413 for fiscal year 2019. Of this amount \$0 is reported as intergovernmental payables.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$305,130 for fiscal year 2019. Of this amount \$30,267 is reported as intergovernmental payables.

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 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,677,344	\$3,993,864	\$5,671,208
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02928740%	0.01816404%	
Prior Measurement Date	<u>0.02151490%</u>	<u>0.01804910%</u>	
Change in Proportionate Share	<u>0.00777250%</u>	<u>0.00011494%</u>	
Pension Expense	\$305,150	\$579,840	\$884,990

At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
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	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$91,992	\$92,190	\$184,182
Changes of assumptions	37,878	707,788	745,666
Changes in employer proportionate share of net pension liability	263,414	259,074	522,488
Contributions subsequent to the measurement date	96,413	305,130	401,543
Total Deferred Outflows of Resources	<u>\$489,697</u>	<u>\$1,364,182</u>	<u>\$1,853,879</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$26,082	\$26,082
Net difference between projected and actual earnings on pension plan investments	46,474	242,184	288,658
Changes in employer proportionate share of net pension liability	5,791	0	5,791
Total Deferred Inflows of Resources	<u>\$52,265</u>	<u>\$268,266</u>	<u>\$320,531</u>

\$401,543 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$294,663	\$524,888	\$819,551
2021	115,655	263,800	379,455
2022	(55,046)	49,631	(5,415)
2023	(14,253)	(47,533)	(61,786)
Total	<u>\$341,019</u>	<u>\$790,786</u>	<u>\$1,131,805</u>

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.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
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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 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%
Proportionate share of the net pension liability	\$2,362,665	\$1,677,344	\$1,102,748

Assumption and Benefit Changes Since the Prior Measurement Date

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1 2018, actuarial valuation, are presented below:

Inflation	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

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

The following table represents the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45 percent or one percentage point higher 8.45 percent than the current discount rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$5,832,513	\$3,993,864	\$2,437,698

Assumption and Benefit Changes since the Prior Measurement Date

There were no changes in assumptions or benefit terms since the prior measurement date.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit OPEB Plans

See note 7 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

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

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$5,459.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$9,030 for fiscal year 2019. Of this amount \$5,459 is reported as intergovernmental payables.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$786,741	\$0	\$786,741
Proportionate Share of the Net OPEB (Asset)	0	(291,878)	(291,878)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02835850%	0.01816404%	
Prior Measurement Date	<u>0.02096610%</u>	<u>0.01804910%</u>	
Change in Proportionate Share	<u>0.00739240%</u>	<u>0.00011494%</u>	
OPEB Expense	\$54,042	(\$629,556)	(\$575,514)

At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$12,842	\$34,092	\$46,934
Changes in employer proportionate share of net OPEB liability	183,774	18,277	202,051
Contributions subsequent to the measurement date	9,030	0	9,030
Total Deferred Outflows of Resources	<u>\$205,646</u>	<u>\$52,369</u>	<u>\$258,015</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$17,006	\$17,006
Changes of assumptions	70,683	397,706	468,389
Net difference between projected and actual earnings on OPEB plan investments	1,180	33,345	34,525
Changes in employer proportionate share of net OPEB liability	5,887	0	5,887
Total Deferred Inflows of Resources	<u>\$77,750</u>	<u>\$448,057</u>	<u>\$525,807</u>

\$9,030 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$1,858	(\$70,597)	(\$68,739)
2021	8,941	(70,597)	(61,656)
2022	31,370	(70,597)	(39,227)
2023	31,872	(63,023)	(31,151)
2024	31,791	(60,367)	(28,576)
Thereafter	<u>13,034</u>	<u>(60,507)</u>	<u>(47,473)</u>
Total	<u>\$118,866</u>	<u>(\$395,688)</u>	<u>(\$276,822)</u>

Actuarial Assumptions - SERS

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30 2018, are presented below:

Inflation	3.00%
Wage Increases	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62%
Prior Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70%
Prior Measurement Date	3.63%
Medical Trend Assumption:	
Medicare	5.375% to 4.75%
Pre-Medicare	7.25% to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

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

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Proportionate share of the net OPEB liability	\$954,649	\$786,741	\$653,790

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$634,756	\$786,741	\$987,997

Assumption and Benefit Changes since the Prior Measurement Date

The following changes in key methods and assumptions as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30 2018, actuarial valuation are presented below:

Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical:	
Pre-Medicare	6% initial, 4% ultimate
Medicare	5% initial, 4% ultimate
Prescription Drug:	
Pre-Medicare	8% initial, 4% ultimate
Medicare	(5.23%) initial, 4% ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

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

The following table represents the net OPEB (asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$250,166)	(\$291,878)	(\$326,934)

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$324,955)	(\$291,878)	(\$258,285)

Assumption and Benefit Changes since the Prior Measurement Date

The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

Note 9 – Other Employee Benefits

Compensated Absences

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

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

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

Insurance Benefits

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

Note 10 - Long-Term Obligations

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

	Beginning Outstanding	Additions	Deductions	Ending Outstanding	Due In One Year
Direct Borrowing:					
Promissory Note-Foundation Bank	\$1,063,896	\$0	\$65,459	\$998,437	\$68,467
Net Pension Liability:					
STRS	4,287,602	0	293,738	3,993,864	0
SERS	1,285,468	391,876	0	1,677,344	0
Total Net Pension Liability	5,573,070	391,876	293,738	5,671,208	0
Net OPEB Liability:					
STRS	704,209	0	704,209	0	0
SERS	562,675	224,066	0	786,741	0
Total Net OPEB Liability	1,266,884	224,066	704,209	786,741	0
Total Long-Term Obligations	<u>\$7,903,850</u>	<u>\$615,942</u>	<u>\$1,063,406</u>	<u>\$7,456,386</u>	<u>\$68,467</u>

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Fiscal Year Ending June 30:	Promissory Note - Foundation Bank		
	Principal	Interest	Total
2020	\$68,467	\$43,529	\$111,996
2021	929,970	17,215	947,185
	<u>\$998,437</u>	<u>\$60,744</u>	<u>\$1,059,181</u>

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

Note 11 – Contingencies

Litigation

The Academy is not currently party to litigation.

Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2019.

Note 12 – Purchased Services

For the fiscal year ended June 30, 2019, purchased services expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$426,451
Property Services	228,789
Communication	70,932
Utilities	77,619
Food Service	222,271
Other	<u>70,497</u>
Total Purchased Services	<u>\$1,096,559</u>

Hamilton County Mathematics and Science Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures could impact subsequent periods of the Academy. In addition, the impact on the Academy's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the Academy participates and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 – Subsequent Events

The Academy received an extension on the promissory note (mortgage loan) until it was able to refinance it in November of 2020.

For fiscal year 2022, Academy foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the Academy were funded to the Academy who, in turn, made the payment to the respective school.

REQUIRED SUPPLEMENTARY INFORMATION

Hamilton County Mathematics and Science Academy
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.01816404%	\$3,993,864	\$2,218,843	180.00%	77.30%
2018	0.01804910%	4,287,602	2,008,079	213.52%	75.30%
2017	0.01767787%	5,917,316	1,946,793	303.95%	66.80%
2016	0.01743332%	4,818,060	1,876,436	256.77%	72.10%
2015	0.01483001%	3,607,172	1,556,246	231.79%	74.70%
2014	0.01483001%	4,296,840	1,644,046	261.36%	69.30%

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

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.02987400%	\$1,677,344	\$728,956	230.10%	71.36%
2018	0.02151490%	1,285,468	780,843	164.63%	69.50%
2017	0.02171680%	1,589,469	707,743	224.58%	62.98%
2016	0.02144864%	1,223,880	642,003	190.63%	69.16%
2015	0.01881499%	952,216	539,827	176.39%	71.70%
2014	0.01881499%	1,118,867	585,036	191.25%	65.52%

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

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2019	\$305,130	(\$305,130)	\$0	\$2,179,500	14.00%
2018	310,638	(310,638)	0	2,218,843	14.00%
2017	281,131	(281,131)	0	2,008,079	14.00%
2016	272,551	(272,551)	0	1,946,793	14.00%
2015	262,701	(262,701)	0	1,876,436	14.00%
2014	202,312	(202,312)	0	1,556,246	13.00%
2013	213,726	(213,726)	0	1,644,046	13.00%
2012	204,028	(204,028)	0	1,569,446	13.00%
2011	228,408	(228,408)	0	1,756,985	13.00%
2010	177,925	(177,925)	0	1,368,654	13.00%

See accompanying notes to the required supplementary information.

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

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2019	\$96,413	(\$96,413)	\$0	\$714,170	13.50%
2018	98,409	(98,409)	0	728,956	13.50%
2017	109,318	(109,318)	0	780,843	14.00%
2016	99,084	(99,084)	0	707,743	14.00%
2015	84,616	(84,616)	0	642,003	13.18%
2014	74,820	(74,820)	0	539,827	13.86%
2013	80,969	(80,969)	0	585,036	13.84%
2012	74,082	(74,082)	0	535,275	13.84%
2011	67,332	(67,332)	0	486,503	13.84%
2010	65,027	(65,027)	0	469,848	13.84%

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	Academy's Proportion of the Net OPEB (Asset)/Liability	Academy's Proportionate Share of the Net OPEB (Asset)/Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2019	0.01816404%	(\$291,878)	\$2,218,843	(13.15%)	176.00%
2018	0.01804910%	704,209	2,008,079	35.07%	47.10%
2017	0.01767787%	945,417	1,946,793	48.56%	37.30%

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

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
 Required Supplementary Information
 Schedule of the Academy's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	Academy's Proportion of the Net OPEB Liability	Academy's Proportionate Share of the Net OPEB Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2019	0.02835850%	\$786,741	\$728,956	107.93%	13.57%
2018	0.02096610%	562,675	780,843	72.06%	12.46%
2017	0.02140734%	610,188	707,743	86.22%	11.49%

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

(2) Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
 Required Supplementary Information
 Schedule of Academy's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

Year	Academy's Contractually Required Contribution	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2019	\$0	\$0	\$0	\$2,179,500	0.00%
2018	0	0	0	2,218,843	0.00%
2017	0	0	0	2,008,079	0.00%
2016	0	0	0	1,946,793	0.00%

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

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
 Required Supplementary Information
 Schedule of Academy's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	Academy's Contractually Required Contribution (2)	Academy's Contributions in Relation to the Contractually Required Contributions	Academy's Contribution Deficiency (Excess)	Academy's Covered Payroll	Academy's Contributions as a Percentage of Covered Payroll
2019	\$9,030	(\$9,030)	\$0	\$714,170	1.26%
2018	12,954	(12,954)	0	728,956	1.78%
2017	7,419	(7,419)	0	780,843	0.95%
2016	8,257	(8,257)	0	707,743	1.17%

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

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Hamilton County Mathematics and Science Academy
Notes to the Required Supplementary Information
For the Fiscal Year Ended June, 30, 2019

Note 1 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,

**Hamilton County Mathematics and Science Academy
Notes to the Required Supplementary Information
For The Fiscal Year Ended June, 30, 2018**

- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 2 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

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

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,

**Hamilton County Mathematics and Science Academy
Notes to the Required Supplementary Information
For The Fiscal Year Ended June, 30, 2018**

- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

To the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hamilton County Mathematics and Science Academy's basic financial statements, and have issued our report thereon dated March 18, 2022, wherein we noted as described in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods. Additionally, we qualified our opinion over salary and possible related fringe benefit expenses due to insufficient appropriate audit evidence to support that the additional duties in certain supplemental contracts did not overlap with duties listed in the initial annual contract.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hamilton County Mathematics and Science Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton County Mathematics and Science Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton County Mathematics and Science Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Hamilton County Mathematics and Science Academy's Response to Finding

The Hamilton County Mathematics and Science Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hamilton County Mathematics and Science Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
March 18, 2022

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

Material Weakness – Payroll Controls

Proper internal controls over the payroll process help ensure that payroll contains no errors, whether due to fraud or error. Proper internal controls require proper segregation of duties as well as timely, detailed, and sufficient approvals by an appropriate level of management and/or governance.

The Academy’s payroll approval process consists primarily of the Superintendent and/or the Human Resources Director’s approval with limited approvals of the Board as evidenced in Board minutes, with only the Human Resources Director’s signature on the supplemental contract. During the fiscal year, these individuals approved supplemental contracts (amounts to be paid in addition to initially determined salary) for a variety of services for four administrators totaling an estimated amount of \$235,000 or approximately 8% of total salary expenses related to and paid throughout the fiscal year. Additionally, there is a possible related effect on fringe benefit expenses. For certain supplemental contracts, we were unable to adequately ascertain from the documents provided that each of the additional duties in the supplemental contracts did not overlap with duties in the initial annual contract.

Internal controls over payroll such as governing authority approval and oversight is an important function as well as a transparent one. Many of the supplemental contracts were approved by the Human Resources Director only, and subsequent to the beginning of the year. While the Human Resources Director’s approval on the supplemental contracts appears to align with Board policy and budgeted amounts, an additional internal control of requiring the governing authority or signature of the Board President could prove beneficial to the Academy. Additionally, detailed and comprehensive job responsibilities should be listed in each employment contract and a total compensation for that position and its responsibilities should be established and approved prior or at the beginning of the fiscal year.

Without proper internal controls over the entire payroll process, including supplemental contracts, the Academy risks paying employees for work that is not performed or evidenced as completed satisfactory to the Academy’s expectations.

We recommend the Academy evaluate their current policies and procedures regarding payroll controls and require multiple approvals to ensure segregation of duties. The Ohio Auditor of State has various suggestions for pertinent internal payroll controls on their website for consideration. We further recommend the Academy develop more detailed position contracts documenting responsibilities and develop a salary for those responsibilities at the beginning of the fiscal year. We additionally recommend the Academy develop a process for evaluating these responsibilities and that they were performed in accordance with the Board intent and expectations.

Client Response: The Academy has implemented procedures for the approval of supplemental contracts consistent with guidance from state agencies and Ohio law. We understand that portions of this Finding are still subject to pending external review, and the School will continue to cooperate fully with that process to resolve potential concerns. For the supplemental contracts at issue, the School believes (1) all contracted amounts are aligned with the school budget approved by the Governing Authority in accordance with R.C. 3314.032(C), (2) the duties set forth in the supplemental contracts are for duties separate from the annual employment contracts (e.g., coaching, summer school, etc.), (3) that all supplemental duties were actually performed, and (4) the Governing Authority has subsequently approved and ratified all supplemental contracts. We appreciate the input provided during this audit process and will continue to review our procedures going forward based on guidance received.

OHIO AUDITOR OF STATE KEITH FABER



HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/24/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov