ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY

REGULAR AUDIT

FOR THE FISCALYEAR ENDED JUNE 30, 2014

Dave Yost • Auditor of State

ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY

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INDEPENDENT AUDITOR'S REPORT

Academy for Educational Excellence
Lucas County
4747 Heatherdowns Boulevard
Toledo, Ohio 43614

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Academy for Educational Excellence, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy for Educational Excellence, Lucas County, Ohio, as of June 30, 2014, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 3, the Academy changed its method of accounting to Generally Accepted Accounting Principles for the Fiscal Year ended June 30, 2014.

The Academy has suffered recurring losses from operations and has a net position deficiency of $347,193 as of June 30, 2014. Based solely on inquiries and scanning of unaudited fund cash balances as of July 14, 2015, the Academy may require additional revenue or cost-cutting measures to continue paying its obligations. The notes to the financial statements do not disclose this matter; however it does not affect our opinion on these financial statements.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2015

The discussion and analysis of the Academy for Educational Excellence's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. 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 the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, the Academy's net position decreased $56,012, from a restated deficit of $291,181 to a deficit of $347,193.

- The Academy had operating revenues of $525,722 and operating expenses of $687,774 during fiscal year 2014. The Academy also recognized non-operating revenue of $106,642 from federal and State grants and entitlements and non-operating expenses of $602 during the year.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2014? The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. This basis of accounting takes into account all current year 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. The change in net position is important because it tells the reader the extent to which the financial position of the Academy as a whole has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The table below provides a summary of the Academy's net position for fiscal year 2014. Fiscal year 2014 is the first year the Academy prepared financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Comparative information is not available.

Net Position

	2014
Assets	
Current assets	$ 26,913
Non-current assets	35,311
Total assets	62,224
Liabilities	
Current liabilities	246,060
Non-current liabilities	163,357
Total liabilities	409,417
Net Position	
Net investment in capital assets	15,816
Unrestricted (deficit)	(363,009)
Total net position (deficit)	$ (347,193)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position totaled a deficit of $347,193, which is a decrease from the Academy's net position deficit of $291,181 at June 30, 2014.

At June 30, 2014, capital assets represented 56.75 percent of total assets. Capital assets are used to provide services to students and are not available for future spending. Capital assets consist of furniture, fixtures and equipment and vehicles.

The table below shows the changes in net position for fiscal year 2014. Fiscal year 2014 is the first year the Academy prepared GAAP basis financial statements. The beginning net position at June 30, 2013 was restated to reflect the prior years' effect of adopting GAAP. Comparative information will be presented next year.

Change in Net Position

	2014
Operating Revenues:	
State foundation	$ 515,681
Other	10,041
Total operating revenue	525,722
Operating Expenses:	
Salaries and wages	325,594
Fringe benefits	79,339
Purchased services	190,087
Materials and supplies	74,475
Other	9,386
Depreciation	8,893
Total operating expenses	687,774
Non-Operating Revenues (Expenses):	
Federal and State grants	106,642
Interest and fiscal charges	(602)
Total non-operating revenues (expenses)	106,040
Change in net position	(56,012)
Net position (deficit) at beginning of year	(291,181)
Net position (deficit) at end of year	$ (347,193)

The revenue generated by community Academies is heavily dependent upon the per-pupil allotment determined by the State foundation program and federal entitlement programs. Foundation payments amounted to 81.55 percent of total revenues received during fiscal year 2014.

Debt Administration

At June 30, 2014, the Academy's long term obligations included a capital lease obligation for copier equipment of $5,934, notes payable of $35,138 and other liabilities related to long-term accounts payable of $122,285. See Note 10 in the notes to the basic financial statements for further detail relating to the Academy's long term obligations.

Capital Assets

At June 30, 2014, the Academy had $35,311 in capital assets, net of accumulated depreciation. The Academy had $8,893 in depreciation expense and did not have any capital asset additions or disposals during the year. The Academy's capital assets consist of equipment and vehicles. See Note 11 in the notes to the basic financial statements for further detail relating to the Academy's capital assets.

Current Financial Related Activities

The Academy is reliant upon State Foundation monies and State Grants to offer quality educational services to students.

In order to continually provide learning opportunities to the Academy's students, Academy will apply resources to best meet the needs of its students. It is the intent of Academy to apply for other State funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy for Educational Excellence's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cynthia Mercer, MAC Financial Service, Inc. 327 Foundry Hill Rd., Salineville, Ohio 43945 or by phone at (330) 284-8490.

ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:		
Current assets:		
Equity in pooled cash		
and cash equivalents	$	3,742
Receivables:		
Intergovernmental.		22,372
Prepayments		799
Total current assets		26,913
Non-current assets:		
Depreciable capital assets, net		35,311
Total assets.		62,224
Liabilities:		
Current liabilities:		
Accounts payable.		149,474
Accrued wages and benefits		70,039
Pension obligation payable.		8,910
Intergovernmental payable		17,637
Total current liabilities		246,060
Non-current liabilities:		
Due within one year.		159,944
Due in more than one year.		3,413
Total non-current liabilities		163,357
Total liabilities		409,417
Net position:		
Investment in capital assets.		14,727
Unrestricted (deficit).		(361,920)
Total net position.	$	(347,193)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:		
Foundation basic aid.	$	515,681
Other		10,041
Total operating revenues		525,722
Operating expenses:		
Salaries and wages.		325,594
Fringe benefits.		79,339
Purchased services.		190,087
Materials and supplies		74,475
Depreciation		8,893
Other.		9,386
Total operating expenses.		687,774
Operating loss.		(162,052)
Non-operating revenues (expenses):		
Federal and State operating grants.		106,642
Interest and fiscal charges		(602)
Total non-operating revenues (expenses). .		106,040
Change in net position		(56,012)
Net position (deficit) at beginning of year (restated).		(291,181)
Net position (deficit) at end of year	$	(347,193)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:		
Cash received from State foundation	$	517,723
Cash received from other operations		10,041
Cash payments for salaries and wages.		(298,169)
Cash payments for fringe benefits		(66,272)
Cash payments for contractual services		(250,524)
Cash payments for materials and supplies		(42,104)
Cash payments for other expenses		(8,930)
Net cash used in operating activities.		(138,235)
Cash flows from noncapital financing activities:		
Federal and State operating grants.		140,697
Cash flows from capital and related financing activities:		
Principal retirement on capital lease		(2,204)
Interest payments on capital lease.		(602)
Net cash used in capital and related financing activities.		(2,806)
Net decrease in cash and cash equivalents.		(344)
Cash and cash equivalents at beginning of year (restated) . . .		4,086
Cash and cash equivalents at end of year	$	3,742
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss.	$	(162,052)
Adjustments:		
Depreciation		8,893
Changes in assets and liabilities:		
Increase in intergovernmental receivable.		(2,928)
Increase in prepayments		(799)
Decrease in accounts payable.		(158,695)
Increase in other long-term payables.		123,374
Increase in accrued wages and benefits.		27,425
Increase in intergovernmental payable.		17,637
Increase in pension obligation payable.		8,910
Net cash used in operating activities.	$	(138,235)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Academy for Educational Excellence (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to serve students in grades Kindergarten through 3 and ages 5 through 9. The Academy focuses on literacy and technology. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations.

The Academy was approved for sponsorship under contract resolution on March 15, 2012 with North Central Ohio Educational Service Center (the "Sponsor") for a period of five years commencing on July 1, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 3 non-certified and 10 certified teaching personnel who provide services to 75 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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.

A. Basis of Presentation

The Academy's basic financial statements consists 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 during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

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

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. 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. Revenues resulting from non-exchange transactions, in which the Academy received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike traditional public Academy's located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed Academy budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

D. Cash and Cash Equivalents

All cash received by the Academy is maintained in demand deposit accounts. The Academy did not have any investments during fiscal year 2014.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful life:

Description	Estimated Life
Equipment	5 - 10 years
Vehicles	7 years

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, which includes Economic Disadvantaged Funding and Limited English Proficiency Funding, which are reflected under "state foundation" on the statement of revenues, expenses and changes in net position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

H. Net Position

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

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

I. Use of Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2014, the Academy has implemented GASB Statement No. 70*, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.*

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

For the fiscal year ended June 30, 2014, the Academy has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The Academy's net position was restated to reflect the prior year's effect of adopting GAAP. The Academy's June 30, 2013 net position was restated from $4,086 to a deficit of $291,181.

Contrary to Ohio law the Academy failed to make payments for the employer's share due to STRS and SERS for certain part-time employees.

Contrary to Ohio law the Academy failed to withhold and remit payments for the employees' share due to STRS and SERS for certain part-time employees.

NOTE 4 - DEPOSITS

At June 30, 2014, the carrying amount of all Academy deposits was $3,742. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, all of the Academy's bank balance of $8,691, was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Academy contracted with Citizens Insurance Company for general liability and property insurance and professional liability, and auto.

Coverage is as follows:

Commercial General Liability per occurrence	$ 1,000,000
Commercial General Liability aggregate	2,000,000
Fire Damage Limit, Any One Fire	500,000
Personal and Advertising Injury Limit	1,000,000
Property Damage	100,000
School and Educators Liability	3,000,000
Business Automobile	1,000,000

B. Workers' 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 6 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Academy Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *"Employers/Audit Resources"*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014 and 2013 were $7,416 and $6,357, respectively; 46.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under *"Publications".*

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 6 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014 and 2013 were $32,281 and $26,819, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Governing Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income and the SERS' reimbursement to retirees was $45.50.

NOTE 7 - POSTEMPLOYMENT BENEFITS - (Continued)

Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *"Employers/Audit Resources"*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated 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 according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was $20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014 and 2013 were $930 and $78, respectively; 46.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014 and 2013 were $430 and $359, respectively; 46.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013.

B. State Teachers Retirement System of Ohio

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

NOTE 8 - OPERATING LEASE

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014 and 2013 were $2,483 and $2,063, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

Midwest Creative Investment has leased property and a portion of a building to the Center for Educational Excellence. The Center of Educational Excellence has subleased the property and portion of the building to the North Central Ohio Educational Service Center, the Sponsor for the conversion Academy - The Academy for Educational Excellence. The North Central Ohio Educational Service Center has subleased the property and the portion of the building to the Academy of Educational Excellence for the operation of the Academy's facility, for a term beginning September 1, 2012 through August 31, 2017. This agreement is, in substance, a rental agreement (operating lease) and is classified as purchased services in the financial statements. The Lessees obligation is $7,314 per month, 90% of all utilities, $1,000 annually for repair expenses, and all of the outside maintenance expenses. The Academy owed $41,299 in rental payments for fiscal year 2013 that is part of long-term liabilities.

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

In a prior fiscal year, the Academy entered into a capital lease for copier equipment. Principal payments made totaled $2,204 for fiscal year 2014.

The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2014:

Fiscal Year Ending June 30,	Payments
2015	$ 2,772
2016	1,683
2017	1,684
2018	281
Total minimum lease payments	6,420
Less: amount representing interest	(486)
Total	$ 5,934

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due in One Year
Capital Lease Obligation	$ 8,138	$ -	$ (2,204)	$ 5,934	$ 2,521
Other Long-Term Payables	-	122,285	-	122,285	122,285
Notes Payable:					
Ann Harris Superintendent/Founder	22,764	-	-	22,764	22,764
Center for Educational Excellence, Inc.	5,949	-	-	5,949	5,949
Learners for Life Child Development, Inc.	6,410	-	-	6,410	6,410
Allison Cox Co-Founder	15	-	-	15	15
Total Notes Payable	35,138	-	-	35,138	35,138
Total Long-Term Obligations	$ 43,276	$ 122,285	$ (2,204)	$ 163,357	$ 159,944

The other long-term payables represent accounts payable for fiscal year 2013 that have not been repaid. These liabilities will be shown as due within one year.

The Superintendent/founder reduced her pay by fifty percent for a portion of fiscal year 2013. This resulted in salary payments of $42,614 less than her approved annual salary for fiscal year 2013. This is included as part of accrued wages payable. This payment will be made when the Academy is in an appropriate financial position.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 06/30/14
Capital assets, being depreciated:				
Equipment	$ 34,001	$ -	$ -	$ 34,001
Vehicles	14,650	-	-	14,650
Total capital assets being depreciated	48,651	-	-	48,651
Less: accumulated depreciation				
Equipment	(3,400)	(6,800)	-	(10,200)
Vehicles	(1,047)	(2,093)	-	(3,140)
Total accumulated depreciation	(4,447)	(8,893)	-	(13,340)
Capital assets, net	$ 44,204	$ (8,893)	$ -	$ 35,311

NOTE 12 - CONTRACTS

A. Sponsor Contract

The Academy entered into a sponsorship contract commencing on July 1, 2012 and ending on June 30, 2017 with North Central Ohio Educational Service Center.

The Sponsor shall carry out the responsibilities established by law, including:

- Provide technical assistance and monitor the Academy's compliance with all laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Report on at least an annual basis the results of the evaluation conducted to the Ohio Department of Education and to the parents/guardians of students enrolled in the Academy;
- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew the contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Develop a plan of action to be undertaken if the Academy experiences financial difficulties or closes prior to the end of the year;
- Evaluate the performance of the Academy according to standards set forth in the Assessment and Accountability Plan;
- Support the Academy's establishment and operation as determined to be appropriate by the Sponsor at the Sponsor's sole discretion;
- Notify the Academy within five business days of complaints or correspondence from the Ohio Department of Education concerning the Academy; and,
- Comply with the procedures for resolving disputes or differences of opinion between it and the Academy as set forth in the Governance and Administrative Plan.

B. Service Contract

The Academy entered into a service contract commencing on November 1, 2013 and ending on June 30, 2014 with MAC Financial Services ("MAC"), to provide fiscal consulting services. The Academy will pay MAC $1,800 per month plus reimbursement for business. The Academy paid MAC $6,381 during fiscal year 2014 and recorded $6,347 as accounts payable for these services.

NOTE 13 - PURCHASED SERVICES

For fiscal year 2014, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	$ 28,041
Property services	77,327
Communications	16,581
Utilities	37,166
Other	30,972
Total	$ 190,087

NOTE 14 - RELATED PARTIES

The Center for Educational Excellence Inc. (CEE) in which Ann Harris, the Superintendent/founder of the Academy is an Official. The CEE has been awarded a Port Authority grant and has paid $27,887 of the Academy's Development expenses as well as other expenses, in which $5,949 is Payable to the CEE by the Academy.

Learners for Life Child Development Center Inc. in which Ann Harris, the Superintendent/founder of the Academy is an Official, has paid expenses on behalf of the Academy, in which $6,410 is Payable to Learners for Life Child Development Center by the Academy.

Allison Cox, a Co-founder of the Academy has paid for expenses on behalf of the Academy, in which $15 is Payable to Allison Cox by the Academy.

Maple Leaf was reimbursed $12,000 for payments made on behalf of the Academy. Maple Leaf is owned by Ann Harris's, the Superintendent/Founder of the Academy, brother.

NOTE 15 - CONTINGENCIES

A. Grants

Amounts grantor agencies pay to the Academy are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

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

NOTE 15 – CONTINGENCIES – (Continued)

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Academy owes $2,042 to the Ohio Department of Education. This amount is reflected as an intergovernmental payable on the basic financial statements.

NOTE 16 - CONTINUED EXISTENCE

The Academy has encountered difficulties paying its obligations to vendors in a timely manner. The Academy had a deficit net position of $347,193 at June 30, 2014. The change in net position for fiscal year 2014 was a deficit of $56,012. Total liabilities at June 30, 2014 were $409,417.

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

Academy for Educational Excellence
Lucas County
4747 Heatherdowns Boulevard
Toledo, Ohio 43614

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Academy for Educational Excellence, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 14, 2015, wherein we noted the Academy changed its basis of accounting and the Academy has suffered recurring losses from operations and has a net position deficiency.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider findings 2014-002 through 2014-005 and 2014-007 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-006 and 2014-008 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-005 through 2014-008.

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2015

SCHEDULE OF FINDINGS
JUNE 30, 2014

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

FINDING NUMBER 2014-001

Finding For Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. 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.

Lincoln Kynard, the former Principal of the Academy for Educational Excellence, received reimbursement and made the following expenditure without having proper documentation. Without proper documentation, we are unable to determine if certain reimbursements and expenditures were for a proper public purpose:

On October 21, 2013, Lincoln Kynard was reimbursed $1,000 for expenditures made by him for fuel. The Academy issued a check number 241 for $1,000 to Lincoln Kynard that was signed by Former Treasurer, Cherie Cox. Ann Harris, Superintendent/Founder, cashed the check out of the petty cash account. Mr. Kynard did not produce any invoices or receipts to substantiate fuel in the amount of $1,000.

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 Lincoln Kynard, Former Principal, Ann Harris, Superintendent/Founder, Cherie Cox, Former Treasurer, and Cincinnati Insurance Company, the Former Treasurer's bonding company, jointly and severally, in the amount of $1,000 and in favor of The Academy for Educational Excellence.

FINDING NUMBER 2014-002

Material Weakness

Payroll Disbursements

The Academy for Educational Excellence's Governing Board approves new hires, annual salaries, and hourly rates for all personnel and identifies the approval in the Board minutes.

We have identified the following weaknesses concerning payroll:

- For nine of the thirty transactions, we were unable to acquire contracts for the employees showing approval to hire from the Governing Board.
- For five of the twenty-one transactions that a contract was provided for, we were unable to agree the amount paid with the amount approved by the Governing Board.
- For thirteen of the thirty transactions, the employee did not have a pension enrollment form within their personnel file.
- For one of the thirty transactions, the employee did not have tax withholding forms within their personnel file.
- We were unable to obtain Employers Quarterly Federal Tax Returns.

FINDINGS (Continued)

This occurred due to insufficient oversight by management.

These conditions provide for possible overpayment or underpayment to personnel.

To improve the controls over payroll, we recommend the Academy's management implement the following procedures:

- Obtain and retain all documentation related to payroll activity including contracts approved by the Governing Board, tax withholding forms, and pension enrollment forms;
- Ensure the Governing Board's written approval for any changes to any payroll policies, procedures, or rate changes.

FINDING NUMBER 2014-003

Material Weakness

Nonpayroll Disbursements

Maintaining organized documentation and support for financial transactions is essential in assuring the Academy's financial statements are accurately presented and that all expenditures are made for a proper public purpose.

We noted the following issues in regard to the organization of financial records as well as the underlying documentation and support of certain financial transactions:

- Disbursements not having supporting documentation;
- Reimbursements being paid to individuals that did not make the payment on behalf of the Academy;
- Authorized signatory signing checks for related parties; Checks being made out to different company names even though the invoice indicates who to make the check out to;
- Payments not being made to vendors in a timely fashion.

This occurred due to insufficient oversight by management.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend the Academy maintain all invoices and check stubs attached to each other for all financial transactions occurring within the Academy and that records be maintained in an orderly manner to support all transactions. We also recommend that the Academy monitor who is signing off on checks for related parties because it should not be the employee that is in fact part of the related party.

FINDING NUMBER 2014-004

Material Weakness

Entering Financial Data into the Accounting System

The Academy should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Academy's financial statements. The Treasurer did not always accurately post receipts to the Academy's accounting system. Not posting financial information accurately to the ledgers resulted in the following audit adjustment made to the financial statements.

FINDINGS (Continued)

- An adjustment in the amount of $39,591 was made to correct an error in posting of federal revenue as foundation revenue.

As a result of this adjustment there were significant changes required to the financial statements, notes to the financial statements, and management's discussion and analysis. This occurred due to insufficient oversight by management.

We recommend the Academy's Treasurer establish policies and procedures to ensure the accurate posting of all financial activity. Cash receipts posting should be made in accordance with procedures and posting guidelines established by Uniform School Accounting System. By exercising accuracy in recording financial activity, the Academy can reduce posting errors and increase the reliability of financial data throughout the year. We also recommend the Governing Board more closely monitor financial information posting to help detect any posting errors or inaccuracies.

FINDING NUMBER 2014-005

Noncompliance/Material Weakness

SERS Employer

Ohio Rev. Code §3309.49 provides that each employer shall pay to the school employees retirement system at such times as required by the school employees retirement board under section 3309.51 of the Revised Code an amount that shall be a certain per cent of the earnable compensation of all employees, and shall be known as the "employer contribution." The rate per cent of such contribution shall be fixed by the actuary on the basis of the actuary's evaluation of the liabilities of the school employees retirement system, but shall not exceed fourteen per cent, and shall be approved by the school employees retirement board. The school employees retirement board may raise the rate per cent of the contribution to fourteen per cent of the earnable compensation of all employees. In making such evaluation, the actuary shall use, as the actuarial assumptions, regular interest and such mortality and other tables as are adopted by the school employees retirement board. The actuary shall compute the percentage of such earnable compensation, to be known as the "employer rate," required annually to fund the liability for all allowances, annuities, pensions and other benefits, and any deficiencies in the various funds, provided for in this chapter, after deducting therefrom the annuity and other benefits provided by the contributor's accumulated contributions and deposits or other applicable moneys.

The Academy failed to make payments for employer contributions for all of its part-time employees of the Academy. Failure to make payments could result in a material liability to the Academy.

This occurred due to management not being aware that part-time employees need to be paying into the pension system.

We recommend the Academy establish procedures to ensure that employer contributions are made at the time of payroll disbursement for all employees.

FINDING NUMBER 2014-006

Noncompliance/Significant Deficiency

SERS Employee

Ohio Rev. Code §3309.47 provides that each school employees retirement system contributor shall contribute eight per cent of the contributor's compensation to the employees' savings fund, except that the school employees retirement board may raise the contribution rate to a rate not greater than ten per cent of compensation.

FINDINGS (Continued)

The contributions by the direction of the school employees retirement board shall be deducted by the employer from the compensation of each contributor on each payroll of such contributor for each payroll period and shall be an amount equal to the required per cent of such contributor's compensation. On a finding by the board that an employer has failed or refused to deduct contributions for any employee during any year and to transmit such amounts to the retirement system, the retirement board may make a determination of the amount of the delinquent contributions, including interest at a rate set by the retirement board, from the end of each year, and certify to the employer the amounts for collection. If the amount is not paid by the employer, it may be certified for collection in the same manner as payments due the employers' trust fund. Any amounts so collected shall be held in trust pending receipt of a report of contributions for the employee for the period involved as provided by law and, thereafter, the amount in trust shall be transferred to the employee's savings fund to the credit of the employee. Any amount remaining after the transfer to the employees' savings fund shall be transferred to the employers' trust fund as a credit of the employer.

Additional deposits may be made to a member's account. At retirement, the amount deposited with interest may be used to provide additional annuity income. The additional deposits may be refunded to the member before retirement, and shall be refunded if the member withdraws the member's refundable amount. The deposits may be refunded to the beneficiary or estate if the member dies before retirement, and the board shall determine whether regular interest shall be credited to deposits thus refunded.
The Academy failed to withhold SERS payments from all of its part-time employees of the Academy. Failure to contribute to the employees' pension could result in interest having to be paid by the Academy.

This occurred due to management not being aware that part-time employees need to be paying into the pension system.

We recommend the Academy establish procedures to ensure that pension payments are withheld at the time of payroll disbursements for all employees.

FINDING NUMBER 2014-007

Noncompliance/Material Weakness

STRS Employer

Ohio Rev. Code §3307.28 provides that each employer shall pay annually to the state teachers retirement system an amount certified by the secretary which shall be a certain per cent of the earnable compensation of all members, and which shall be known as the "employer contribution." For members participating in the STRS defined benefit plan, the employer contribution shall be deposited into the employers' trust fund. For members participating in an STRS defined contribution plan , the employer contribution shall be deposited into the defined contribution fund in accordance with the plan selected by the member, less the amount transferred under section 3307.84 of the Revised Code.

The rate per cent of the contribution shall be fixed by the actuary on the basis of the actuary's evaluation of the liabilities of the system, not to exceed fourteen per cent, and shall be approved by the state teachers retirement board. The board may raise the rate per cent of the contribution to fourteen per cent of the earnable compensation of all members. In making such evaluation, the actuary shall use, as the actuarial assumptions, such interest rates and mortality and other tables as are adopted by the board. The actuary shall compute the percentage of such earnable compensation, to be known as the "employer rate," required annually to fund the liability for all benefits under the STRS defined benefit plan, after deducting therefrom the benefits provided by the member's accumulated contributions, as defined inspection 3307.50 of the Revised Code, deposits, and other appropriations, and to fund any deficiencies in the funds described in divisions (A) to (F) of section 3307.14 of the Revised Code.

FINDINGS (Continued)

The Academy failed to make payments for employer contributions for all of its part-time employees of the Academy. Failure to make payments could result in a material liability to the Academy.

This occurred due to management not being aware that part-time employees need to be paying into the pension system.

We recommend the Academy establish procedures to ensure that employer contributions are made at the time of payroll disbursement for all employees. This matter will be referred to STRS for any action they deem necessary

FINDING NUMBER 2014-008

Noncompliance/Significant Deficiency

STRS Employee

Ohio Rev. Code §3307.26 provides that (A) Each teacher shall contribute a certain per cent of the teacher's earned compensation, except that the per cent shall be not greater than fourteen per cent of the teacher's compensation. The per cent shall be as follows:

For compensation earned on or after July 1, 2013, but not later than June 30, 2014, eleven per cent;

(B) For teachers participating in the STRS defined benefit plan, contributions shall be deposited in the teachers' savings fund. For teachers participating in an STRS defined contribution plan, contributions shall be deposited in the defined contribution fund. Contributions made pursuant to this section shall not exceed the limits established by section 415 of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 415, as amended.

(C) The contribution for all teachers shall be deducted by the employer on each payroll in an amount equal to the applicable per cent of the teachers' paid compensation for such payroll period or other period as the board may approve. All contributions on paid compensation for teachers participating in an STRS defined contribution plan shall be remitted at intervals required by the state teachers retirement system under section 3307.86 of the Revised Code. All contributions on earned compensation for teachers participating in the STRS defined benefit plan shall be remitted to the state teachers retirement system by the thirtieth day of June of each year. Each school district shall encumber sufficient moneys by the thirtieth day of June of each year to account for the difference, if any, that may exist between contributions that would be withheld based upon compensation earned by a teacher during the year ending the thirtieth day of June and the contributions withheld based upon compensation paid to the teacher for the year. Deductions from payroll for contributions under this section, on an annual basis, shall not exceed eight per cent or other percentage established by the board authorized by this section.

The Academy failed to withhold STRS payments from all of its part-time employees of the Academy. Failure to contribute to the employees' pension could result in interest having to be paid by the Academy.

This occurred due to management not being aware that part-time employees need to be paying into the pension system.

We recommend the Academy establish procedures to ensure that pension payments are withheld at the time of payroll disbursements for all employees. This matter will be referred to STRS for any action they deem necessary.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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ACADEMY FOR EDUCATIONAL EXCELLENCE
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2013-001	Finding for Recovery against Ann Harris for monies illegally expended.	No	$2,503 is listed as "unresolved" in the Auditor of State Finding for Recovery Database as of July 14, 2015.
2013-002	Finding for Recovery for $130 repaid under audit.	Yes	
2013-003	**Ohio Admin. Code § 117-2-03 (B)** for not filing GAAP Annual Financial Report.	No	Partially Corrected – Reduced to Management Letter Comment.
2013-004	Material weakness due to errors in financial statement preparation.	No	Not corrected and re-issued as finding 2014-004 in this report.
2013-005	Material weakness related to outstanding liabilities.	No	Not corrected and re-issued as finding 2014-003 in this report.
2013-006	Material weakness related to on-behalf funding.	Yes	

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Dave Yost • Auditor of State

ACADEMY FOR EDUCATIONAL EXCELLENCE

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 6, 2015