



Dave Yost • Auditor of State

**NORTHMONT SECONDARY ACADEMY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northmont Secondary Academy
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of Northmont Secondary Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of Northmont Secondary Academy, Montgomery County, Ohio, as of June 30, 2015, and the change in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2015, the Academy has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 19, 2016

Northmont Secondary Academy
Statement of Net Cash Position
June 30, 2015

	Northmont Secondary Academy
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$152,860</u>
Total Assets	<u>152,860</u>
Net Cash Position:	
Restricted	550
Unrestricted	<u>152,310</u>
Total Net Cash Position	<u><u>\$152,860</u></u>

See accompanying notes to the basic financial statements.

Northmont Secondary Academy
Statement of Receipts, Disbursements and Changes in Net Position - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Northmont Secondary Academy
Operating Receipts:	
State Foundation	<u>\$286,525</u>
Total Operating Receipts	<u>286,525</u>
Operating Disbursements:	
Purchased Services	128,116
Materials and Supplies	950
Other Disbursements	<u>20,721</u>
Total Operating Disbursements	<u>149,787</u>
Operating Income	<u>136,738</u>
Non-Operating Receipts:	
State Grants	<u>3,590</u>
Total Non-Operating Receipts	<u>3,590</u>
Change in Net Cash Position	140,328
Net Cash Position - Beginning of Year, Restated	<u>12,532</u>
Net Cash Position - End of Year	<u><u>\$152,860</u></u>

See accompanying notes to the basic financial statements.

Northmont Secondary Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the Academy

Northmont Secondary Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards that includes therapeutic opportunities which can be delivered to students in the grades 9 through 12. The Academy is a public school that provides an alternative to the traditional educational setting. The Academy serves a student population who are identified as at risk due to drug and/or alcohol involvement, severe emotional disturbance, multiple disabilities, partial hospitalization, or as an alternative to suspension/expulsion. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was certified by the State of Ohio Secretary of State as a non-profit organization on March 1, 2013. The Academy was approved for operation under a contract with the Northmont City School District (the "Sponsor") for a period beginning March 11, 2013 through June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a three-member Board of Directors. The Academy's Board of Directors is appointed by the Northmont City School District Board of Education. The Sponsor's assistant treasurer shall be a non-voting ex officio member of the Academy's Board of Directors. Directors each serve a two year term. A resignation or vacancy on the Board of Directors will be appointed for the remaining term by the Northmont City School District Board of Education. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy is a component unit of Northmont City School District.

The Academy has developed a cooperative arrangement with the Sponsor. See Note 7 for further detail on the service agreement.

Note 2 - Summary of Significant Accounting Policies

The Academy has utilized existing programs within the existing structure of the Northmont City School District.

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles general accepted in the United States of America (GAAP). Generally accepted accounting principles include all the relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its

Northmont Secondary Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

Basis of Presentation

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts earned, disbursements incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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 Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

Equity in Pooled Cash and Cash Equivalents

All monies received by the School are maintained in demand deposit accounts and recorded on the statement of net cash position as "Equity in Pooled Cash and Cash Equivalents."

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected in the accompanying financial statements under the cash basis of accounting. Additionally, the Academy does not own any capital assets. They are all owned by Northmont City Schools.

Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use 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 cash positions are available. Of the \$550 restricted net cash position, none was restricted by enabling legislation.

Intergovernmental Receipts

The Academy currently participates in the State Foundation Program. Revenues received during the period from this program are recognized as operating revenues.

**Northmont Secondary Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

Income Taxes

The Academy is a component unit of Northmont City School District and is exempt from Federal income tax as an exempted affiliate of a governmental unit. Accordingly, no income tax expense is recorded in the accompanying financial statements.

Note 3 – Deposits

At June 30, 2015, the carrying amount of all Academy deposits was \$152,860. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, none of the Academy’s bank balance of \$152,860 was exposed to custodial risk.

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

Note 4 – Contract Services

For fiscal year ended June 30, 2015, contract services expenses were as follows:

Purchased Services	\$128,116
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\$125,514 of the purchased services amounts are related party transactions since these services are purchased through the Sponsor, Northmont City School District. See Note 8 for further information. \$2,302 of the purchased service amount are related to services purchased through MDECA, see Note 9 for further information. The remaining \$300 of the purchased services amounts are related to other miscellaneous purposes.

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Northmont Secondary Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 – Risk Management

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.

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General Liability:		
Each Occurrence	\$1,000,000	\$0
Annual Aggregate	3,000,000	0
Employee Benefits Liability:		
Each Occurrence	1,000,000	5,000
Annual Aggregate	3,000,000	5,000
School Leader's Errors and Omissions:		
Each Occurrence	2,000,000	1,000
Annual Aggregate	2,000,000	1,000
School Law Enforcement Liability:		
Each Occurrence	n/a	n/a
Annual Aggregate	n/a	n/a
Property	28,647,325	2,500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in fiscal year 2015. There has been no significant reduction in amounts of insurance coverage from fiscal year 2014.

Note 6 - Contingencies

Litigation

The Academy is not involved in any litigation.

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. The initial fiscal year 2015 review has been completed and it showed that the Academy owed \$1,585 to the Ohio Department of Education. This was not the final FTE review. The final adjustment amount is not determinable at this time; however, the Ohio Department of Education expects that it will result in money owed to the Academy or money due back to the Ohio Department of Education.”

Note 7 - Service Contract

The Northmont City School District and the Academy have entered into a service contract agreement. This agreement states that the Academy will contract for educational services from the Northmont City School District Board of Education and reimburse the Board of Education for these services.

Northmont Secondary Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The Northmont City School District agreed to provide the requested services and receive reimbursement from the Academy pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Services for the intensive day treatment program
2. Services for the High School S.E.D. program
3. Services for the Recovery/Alcohol program
4. Services for the Suspension Alternative program
5. Collaboration for staff development programs for certified and non-certified staff
6. Planning and consultative services for curriculum development
7. Psychological services as needed for re-evaluations and initial multi-factored evaluations
8. Fiscal services including payroll, retirement, and insurance
9. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy
10. Classroom space and administrative services
11. Custodial services
12. Food services
13. Transportation services
14. Supervision/Director services
15. Office Management services
16. Classroom aides for instructional and non-instructional areas
17. Technology support

The Northmont Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Northmont City School District. Other services may be provided based on mutual consent of both the Academy and the Northmont City School District.

Note 8 - Related Party Transaction

The Academy is a component unit of the Sponsor (Northmont City School District). The Academy and the Sponsor entered into an agreement beginning March 11, 2013 through June 30, 2018, whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Assistant Treasurer serves as the Academy's fiscal officer.

In fiscal year 2015, payments were made by the Academy to the Sponsor totaling \$125,514. These represent payments for reimbursements for services provided by the Sponsor to the Academy.

Note 9 - Metropolitan Dayton Educational Cooperative Association

The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County

Northmont Secondary Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Academy paid MDECA \$2,302 during fiscal year 2015 for computer services provided. Financial information can be obtained from Dean A. Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

Note 10 – Change in Basis of Accounting and Related Restatement

For the current fiscal year, the Academy elected to present its financial statements on the cash basis of accounting. In the previous fiscal year, the Academy presented its statements on the GAAP basis of accounting. The implementation of change in basis of accounting requires a restatement of prior period's net cash position as follows:

Net Position - June 30, 2014	\$11,808
Prior Period Adjustment:	
Elimination of Intergovernmental Payable	724
Restated Net Cash Position - July 1, 2014	<u><u>\$12,532</u></u>



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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

Northmont Secondary Academy
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of Northmont Secondary Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 19, 2016, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles and restated its beginning net cash position as of July 1, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 19, 2016

**NORTHMONT SECONDARY ACADEMY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Academy prepared its fiscal year 2015 financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Academy should prepare its financial statements in accordance with generally accepted accounting principles to provide the users with more meaningful and useful financial statements.

Officials' Response:

We did not receive a response from Academy officials to this finding.

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Dave Yost • Auditor of State

NORTHMONT SECONDARY ACADEMY

MONTGOMERY 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
FEBRUARY 23, 2016**