GATEWAY ACADEMY OF OHIO
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

GATEWAY ACADEMY OF OHIO
FRANKLIN COUNTY

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Gateway Academy of Ohio
Franklin County
2323 Lake Club Drive
Columbus, Ohio, 43232

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Academy, Franklin 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 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Basis for Qualified Opinion

The Academy's 2015 financial statements were prepared from accounting ledgers recording expenditures as checks cleared the bank rather than as checks were issued and we are unable to determine the completeness and cutoff of the Academy's 2015 accounting ledgers. This prohibits us from opining on the Academy's cash, expenditures, beginning and ending net position and statement of cash flows at June 30, 2015.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of Gateway Academy of Ohio, Franklin County, Ohio as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 17 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

As discussed in Note 21 to the financial statements, the Academy has suffered recurring losses from operations and has a net position deficiency. Note 21 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 March 20, 2017, 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

March 20, 2017

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Our discussion and analysis of Gateway Academy of Ohio (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

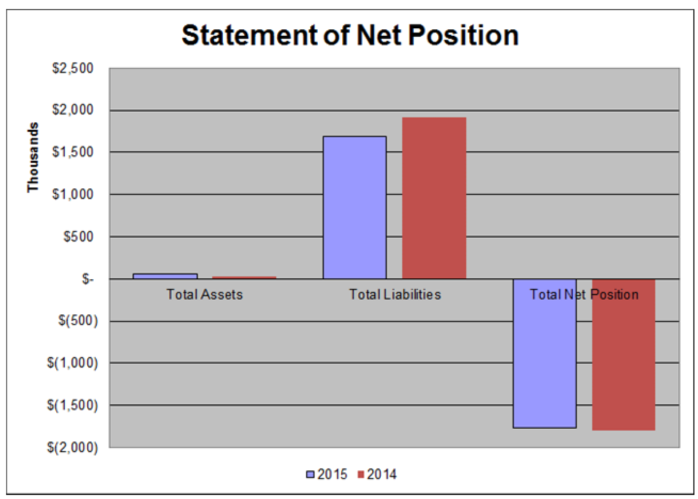
Key financial highlights for fiscal year 2015 are as follows:

- Total Net Position increased $33,361, or 2% from 2014.
- Total liabilities and deferred inflows of resources decreased $21,961, or 1%, while total assets and deferred outflows of resources increased $11,670, or 10% from 2014.
- Total revenue decreased from $1,079,719 in fiscal year 2014 to $1,066,545 in fiscal year 2015, or 1%.
- Total expenses decreased from $ 1,153,976 in fiscal year 2014 to $1,032,914 in fiscal year 2015, a 10% decrease from 2014.
- Net Pension Liability decreased $271,181 which is offset by an increase of $207,879 in Deferred Inflows

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the Academy did financially during fiscal year 2015. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.



These statements report the Academy's Net Position and changes in net position. This change in Net Position is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Academy's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Academy uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the Academy did financially during 2015. This statement includes all assets deferred outflows of resources and liabilities deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's Net Position as of June 30, 2015 compared to the prior year.

(Table 1)
Statement of Net Position

	2015	Restated 2014
Assets		
Current Assets	$ 60,285	$ 19,355
Noncurrent Assets	-	8,137
Total Assets	$ 60,285	$ 27,492
Deferred Outflows		
Pension Requirements	$ 69,894	$ 91,017
Liabilities		
Current Liabilities	$ 579,294	$ 527,636
Long-Term Liabilities	1,111,639	1,393,137
	$ 1,690,933	$ 1,920,773
Deferred Inflows		
Pension Requirements	$ 207,879	$ -
Net Position		
Investment in Capital Assets	$ -	$ 8,137
Unrestricted	(1,768,633)	(1,810,401)
Total Net Position	$(1,768,633)	$(1,802,264)

Total assets and deferred outflows of resources increased in 2015 due to FTE adjustments made after fiscal year end. Capital assets decreased by $8,137 due to depreciation and retirement of the assets. Liabilities and deferred inflows of resources decreased by $21,961 and Net Position increased by $33,631 in 2015. Liabilities and deferred inflows of resources decreased due to forgiveness of the capital lease and a change in Net Pension Liability.

During 2015, the Academy adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*.

GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal year 2015, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 2 shows change in Net Position for fiscal year 2015 compared with fiscal year 2014.

(Table 2)
Change in Net Position

	2015	2014
Operating Revenues		
State Aid	$ 742,895	$ 766,562
Casino Aid	4,786	-
Facilities Funding	7,871	-
Other Operating	1,873	1,755
Non-Operating Revenue		
Federal Grants	254,295	254,572
Forgiveness of Capital Lease	54,825	56,830
Total Revenues	1,066,545	1,079,719
Operating Expenses		
Salaries	505,138	546,365
Fringe Benefits	170,443	421,753
Purchased Services	284,955	62,168
Materials and Supplies	15,880	26,692
Depreciation	1,007	19,871
Other	46,037	40,886
Non-Operating Expenses		
Loss on Capital Assets	7,130	34,367
Interest and Fiscal Charges	2,324	1,874
Total Expenses	1,032,914	1,153,976
Change in Net Position	$ 33,631	$ (74,257)

The revenue generated by a community Academy is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up 95% of all revenues for the Academy in fiscal year 2015. Revenues decreased slightly due increases in the State Foundation aid.

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

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $(510,461) to $(1,802,264).

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $91,017 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $58,146. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$	1,032,914
Pension expense under GASB 68		(58,146)
2015 contractually required contribution		58,401
Adjusted 2015 program expenses		1,033,169
Total 2014 program expenses under GASB 27		1,153,976
Decrease in program expenses not related pension	$	(120,807)

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community Academy's contract with its sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy has developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Academy has $0 in net capital assets. See Note 4 to the basic financial statements.

Debt

At June 30, 2015, the Academy had $50,000 in outstanding debt due to Huntington National Bank for a line of credit. See Note 14 in the notes to the basic financial statements.

Current Financial Related Activities

The Academy's financial outlook over the next several years shows continued growth as enrollment is projected to increase. Enrollment for the Academy is at 84 students as of June 2015. But, future revenue increases are cautious due to Ohio's weak economic recovery.

Contacting the Academy's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Reginald Ray, CEO, Gateway Academy of Ohio, 2323 Lake Club Dr., Columbus, OH 43232.

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GATEWAY ACADEMY OF OHIO
FRANKLIN COUNTY

Statement of Net Position
June 30, 2015

Assets	
Current Asset	
Cash and Cash Equivalents	$ 2,731
Intergovernmental Receivable	57,554
Total Current Assets	60,285
DEFERRED OUTFLOWS	
Pension Requirements	69,894
Liabilities	
Current Liabilities	
Overdraft Liability	46,537
Accounts Payable	118,094
Intergovernmental Payable	300,121
Notes Payable, due within one year	50,000
Accrued Wages & Benefits Payable	64,542
Total Current Liabilities	579,294
Long-Term Liabilities:	
Net Pension Liability	1,111,639
DEFERRED INFLOWS	
Pension Requirements	207,879
Net Position	
Unrestricted	(1,768,633)
Total Net Position	$(1,768,633)

See accompanying notes to the basic financial statements

GATEWAY ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO

Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

Operating Revenues	
State Aid	$ 742,895
Casino Aid	4,786
Facilities Funding	7,871
Other Operating	1,873
Total Operating Revenues	757,425
Operating Expenses	
Salaries	505,138
Fringe Benefits	170,443
Purchased Services	284,955
Materials and Supplies	15,880
Depreciation	1,007
Other	46,037
Total Operating Expenses	1,023,460
Operating Income/(Loss)	(266,035)
Non-Operating Revenues (Expenses)	
Grants	254,295
Interest and Fiscal Charges	(2,324)
Loss on Capital Assets	(7,130)
Forgiveness of Capital Lease	54,825
Total Non-Operating Revenues (Expenses)	299,666
Change in Net Position	33,631
Net Position Beginning of Year-Restated	(1,802,264)
Net Position End of Year	$(1,768,633)

See accompanying notes to the basic financial statements

GATEWAY ACADEMY OF OHIO
FRANKLIN COUNTY, OHIO

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 769,483
Cash Received from Other Operating Sources	1,873
Cash Payments to Employees for Services	(485,996)
Cash Payments for Employee Benefits	(180,213)
Cash Payments to Suppliers for Goods and Services	(308,350)
Other Cash Payments	(46,037)
Net Cash Used for Operating Activities	(249,240)
Cash Flows from Noncapital Financing Activities	
Cash Received from Grants	254,295
Cash Flows from Capital and Related Financing Activities	
Interest Paid-Notes Payable	(2,324)
Net Cash Provided by (Used in) Capital Financing Activities	(2,324)
Net Increase in Cash and Cash Equivalents	2,731
Cash and Cash Equivalents Beginning of Year	-
Cash and Cash Equivalents End of Year	$ 2,731

Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	$ (266,035)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	1,007
Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:	
Intergovernmental Receivable	(38,199)
Accounts Payable	45,452
Accrued Wages and Benefits	20,560
Intergovernmental Liabilities	48,085
Net Pension Liability	(271,181)
Deferred Outflows	21,123
Deferred Inflows	207,879
Overdraft Liability	(17,931)
Net Cash Provided by (Used in) Operating Activities	$ (249,240)

Non-Cash Transactions-

The Academy's outstanding capital lease liability for a returned copier was forgiven in the amount of $54,825 in March 2015 (See note 24).

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE ENTITY

Gateway Academy of Ohio (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 the Academy's tax-exempt status. The Academy specializes in providing a custom-made curriculum for each student to ensure academic success. The Academy utilizes sophisticated technology and small classroom sizes to guarantee individual attention to expose students in grades 7 through 12 to real world experience. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

During fiscal year 2015, the Academy was under a sponsorship contract with Educational Resource Consultants of Ohio, Inc. (the Sponsor). On July 1, 2015, the sponsorship contract was renewed for one year commencing July 1, 2015 through June 30, 2016. 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 is located in Columbus, Ohio, Franklin County. The Academy operates under the direction of a self- appointed five-member Board of Trustees. The 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 qualification of teachers who provide services to 88 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in Net Position, financial 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/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets deferred outflow of resources and all liabilities deferred inflows of resources associated with the operation of the Academy are included on the Statement of Net Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The Statement of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position. The Statement of Cash Flows reflects how the Academy finances and meets its cash flow needs.

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 used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives 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 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 the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year. Furthermore, the Academy must submit a five-year forecast to its Sponsor and the Ohio Department of Education, annually.

D. Cash and Cash Equivalents

All cash received by the Academy is deposited in accounts in the Academy's name. The Academy did not have any investments during fiscal year 2015.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $1,000. The Academy does not have 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 capitalized. The Academy does not capitalize interest.

All capital assets are depreciated. The Academy's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Equipment is depreciated over a period of five to fifteen years.

F. Intergovernmental Revenues

The Academy currently participates in the state foundation and state disadvantaged pupil impact aid programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

Grants and entitlements 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.

The Academy participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2015 Academy year totaled $1,009,847

G. Estimates

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

H. Net Position

Net Position represent the difference between (all assets plus deferred outflows of resources) less (all liabilities, plus deferred inflows of resources). Net Position are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

I. 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.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the Academy and an expense is recorded when used. The Academy has no Prepaids as of June 30, 2015.

K. Pensions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9).

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit and Investment Risk Disclosures”.

The Academy maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2015, the book amount of the Academy’s deposits was $2,731 and the bank balance was $9,885.

The Academy had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2015, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the (FDIC) up to $250,000. Deposits in excess of $250,000 are uninsured. The Academy had no investments at June 30, 2015 or during the fiscal year.

4. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2015, follows:

	As of 6/30/14	Additions	Deletions	As of 6/30/15
Depreciated:				
Furniture and equipment	41,135	-	7,130	34,005
Total	41,135	-	7,130	34,005
Depreciation:				
Furniture and equipment	(32,998)	(1,007)	-	(34,005)
Total	(32,998)	(1,007)	-	(34,005)
Net Depreciated	8,137	(1,007)	7,130	-
Total Capital Assets	8,137	(1,007)	7,130	-

5. INTERGOVERNMENTAL RECEIVABLE/PAYABLE

At June 30, 2015, The Academy had intergovernmental receivables in the amount of $57,554 Intergovernmental receivables consisting of federal assistance (CCIP) and State Aid which eligibility requirements have been met (earned) at June 30, 2015, but the cash was not received by year end. The Academy also had intergovernmental payables of $ 300,121 primarily consisting of unpaid and accrued payroll tax liabilities.

6. ACCOUNTS PAYABLE

Accounts Payable consists of obligations totaling $118,094 at June 30, 2015, incurred during the normal course of conducting operations.

7. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were $65,542 at June 30, 2015.

8. 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; injuries to employees; and natural disasters. For fiscal year 2015, the Academy contracted with Liberty Mutual Insurance Company for property and general liability insurance. Below is a table showing coverage limits. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

8. RISK MANAGEMENT (Continued)

Per Occurrence	$1,000,000
Aggregate	2,000,000
Errors and Omissions	1,000,000
Property (All Locations)	260,000
Computer Coverage:	
Equipment	105,000
Software	50,000
Extra Expense	25,000

B. Worker's Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The Academy had paid $1,291 in premiums as of June 30, 2015.

9. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

Plan Description - Academy Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Plan Description - Academy Employees Retirement System (SERS) (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

9. DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

The Academy's contractually required contribution to SERS was $10,798 for fiscal year 2015. Amounts were fully paid by the end of fiscal year 2015.

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits.

9. DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (continued)

New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $47,603 for fiscal year 2015. Amounts were fully paid by the end of fiscal year 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 783,591	$ 328,048	$ 1,111,639
Proportion of the Net Pension Liability	0.00338930%	0.00674000%	
Pension Expense	$ 20,060	$ 38,086	$ 58,146

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 7,937	$ 2,903	$ 10,840
Academy contributions subsequent to the measurement date	47,603	10,798	58,401
Total Deferred Outflows of Resources	$ 56,193	$ 13,701	$ 69,894
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 152,516	$ 55,363	$ 207,879
Total Deferred Inflows of Resources	$ 152,516	$ 55,363	$ 207,879

9. DEFINED BENEFIT PENSION PLANS (continued)

$69,894 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	$ (36,145)	$ (13,115)	$ (49,260)
2017	(36,145)	(13,115)	(49,260)
2018	(36,145)	(13,115)	(49,260)
2019	(36,144)	(13,115)	(49,259)
	$ (144,579)	$ (52,460)	$ (197,039)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

9. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	*$486,659*	*$328,048*	*$218,686*

9. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

9. DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	*$1,180,211*	*$783,591*	*$523,494*

10. POSTEMPLOYMENT BENEFITS

A. Academy Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation 20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were $1,583, $600 and $5,194 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

10. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $4,287 and $3,737, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

11. MEDICAL AND DENTAL EMPLOYEE BENEFITS

The Academy provides health, drug, dental and vision insurance for all eligible employees through United HealthCare and VSP. The Academy pays 80% of the monthly premium and employees pay the remaining 20% for health and vision coverage. The Academy pays 50% of the monthly premium and employees pay the remaining 50% for dental coverage. The Academy provides life insurance and accidental death and dismemberment insurance to employees through MetLife.

12. PURCHASED SERVICES

For the period July 1, 2014 through June 30, 2015, purchased service expenses were for the following services:

Professional and Technical Services	$154,957
Property Services	67,636
Travel Mileage/Meals	724
Communications	26,305
Contracted Trade Services	35,333
	$284,955

13. TAX EXEMPT STATUS

The Academy completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

14. LINE OF CREDIT

During fiscal year 2011, the Academy borrowed $45,000 through a line of credit from Huntington Bank. During fiscal year 2012, the Academy borrowed an additional $12,864 and repaid $7,864 at an interest rate of 3.500%. Receivables and inventory are pledged to pay any outstanding balances. The following activity occurred on the line of credit during the fiscal year 2015:

	As of 6/30/14	Additions	Deletions	As of 6/30/15
Line of Credit	$ 50,000	-	-	$ 50,000

During fiscal year 2015, the Academy incurred $2,324 in interest charges related to the line of credit.

16. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment 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 conclusions of this review resulted in state funding being adjusted. The Academy recorded an intergovernmental receivable for $20,748.

17. SPONSOR

The Academy entered into a two-year contract commencing on July 1, 2013 and continuing through June 30, 2015 with the Sponsor. Under this agreement, the Academy pays the Sponsor “up to” 3% of State Aid (see Note 2 F.). Sponsor fee expense at June 30, 2015 totaled $23,586. In July 2015, this contract was extended through fiscal year 2016. In June 2016, The Academy signed a new contract with its sponsor effective through June 30, 2018 for a 3 percent fee.

18. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.*

18. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	$ (510,461)
Deferred Outflows of Resources	91,017
Net Pension Liability	(1,382,820)
Restated Net Position, July 1, 2014	$ (1,802,264)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

19. LONG-TERM LIABILITY

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

	Principal Outstanding 6/30/2014*	Additions	Reductions	Outstanding 6/30/2015
Net Pension Liability	$1,382,820	$0	$271,181	$1,111,639
Capital Leases Payable	10,317	0	10,317	0
Total	$1,393,137	$0	$281,498	$ 1,111,639

*As restated. See note 18 for additional information.

The Academy pays obligations related to employee compensation will be paid from the program benefitting from their service.

20. SUBSEQUENT EVENTS

In July 2015, the Academy amended and updated its contract with Educational Empowerment Group, extending the contract for one year. As part of the agreement all employees of the Academy became employees of Educational Empowerment Group.

Effective June 6, 2016, the Academy changed its name to the East Bridge Academy of Excellence and the Academy now serves grades K-6.

June 2016- The Academy renewed its sponsor contract with Educational Resource Consultations of Ohio, Inc. through June 30, 2018.

October 2016- The Academy obtained a promissory note in the amount of $106,500 from 2323 Partners LLC.

21. RELATED PARTY

The Academy hired Daniel Woods, Spouse of the Academy's Treasurer, Teresa Woods to perform building repairs for the Academy. In fiscal year 2015, Mr. Woods received $1,904 from the Academy. Teresa Woods resigned her position at the Academy in November 2014.

22. MANAGEMENT PLAN

For fiscal year 2015, the Academy had an operating loss of $266,035, an increase in net position of $33,631, and a cumulative net position deficit of $1,768,633. The deficit net position resulted from expenses exceeding revenues for the past six consecutive years, due to a lack of growth in student enrollment, and the implications of GASB 68 reporting. In an effort to improve financial stability, the Academy changed its name and moved to a more accessible location for fiscal year 2015.

The Academy has continued expectations to increase enrollment in fiscal year 2016 and continues to reduce expenses. If the Academy is unable to increase enrollment, the Academy may be forced to close its doors due to lack of financial resources. In an effort to prevent closure, the Academy is seeking additional funding from Charter School Capital to pay creditors and reduce its outstanding liabilities.

The Academy's Business Manager and Treasurer monitor financial activities on a daily basis. Financial reports are submitted to the Board for approval at each Board meeting to determine the effectiveness of the expectations discussed above. The Academy has passed a balanced budget for fiscal year 2016.

23. OPERATING LEASE

For fiscal year 2015, the Academy's facilities were located in a space leased at 4300 Kimberly Parkway, Columbus, Ohio. The lease agreement was with Eastland Center LLC for the period of August 1, 2014 through August 31, 2017. Payments totaling $ 36,653 were made during fiscal year 2015.

At the end of fiscal year, 2015 the Academy moved its operations to 2323 Lake Club Drive Columbus, OH and signed a lease agreement with 2323 Partners, LLC & Roken, LLC for a period of five years. For fiscal year 2016, the Academy's rent payments were $5,260.57 per month for an annual expense of $63,126.85.

24. CAPITALIZED LEASES- LESSEE DISCLOSURE

In prior fiscal years, the Academy entered into capital lease agreements for copier equipment. These leases meet the criteria of a capital lease as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

In prior years, the copier equipment had been capitalized in the amount of $105,904. This amount represented the present value of the future minimum lease payments at the time of acquisition. However, in 2014, the Academy returned the equipment to the vendor due to a loss of enrollment that yielded in a loss of funding that resulted in the Academy's inability to meet the lease obligation. Although the equipment was returned and the asset was removed from the Academy's records, as of June 30, 2014, the liability for the lease remained on the books until the vendor subsequently released the Academy from the obligation through a court settlement. There were no principal or interest payments made in fiscal year 2014 or 2015

The remaining capital lease obligation of $54,825 was forgiven by the lessor in March 2015,

25. MANAGEMENT COMPANY

The Academy contracted with The Educational Empowerment Group in December 2014 to provide management services. The Academy agreed to make monthly payments to its management company equal to 12% of the Academy's qualified gross revenues, less the amount of any outstanding default costs and expenses. The contract stipulates the fee is to increase as enrollment increases, but is capped at 15% when the Academy obtains 135 students. During fiscal year 2015, the Academy paid $39,098 to the Educational Empowerment Group of which $2,988 was recorded an outstanding accounts payable at June 30, 2015.

GATEWAY ACADEMY OF OHIO
Franklin County, Ohio

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2015	2014
State Teachers Retirement System (STRS)		
Academy's Proportion of the Net Pension Liability	0.00338930%	0.00338930%
Academy's Proportionate Share of the Net Pension Liability	$ 783,591	$ 982,014
Academy's Covered-Employee Payroll	$ 448,500	$ 373,662
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	183.81%	262.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%
School Employees Retirement System (SERS)		
Academy's Proportion of the Net Pension Liability	0.00674000%	0.00674000%
Academy's Proportionate Share of the Net Pension Liability	$ 328,048	$ 400,806
Academy's Covered-Employee Payroll	$ 236,017	$ 204,595
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.53%	195.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

GATEWAY ACADEMY OF OHIO
Franklin County, Ohio
Required Supplementary Information
Schedule of Academy's Contributions
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007
State Teachers Retirement System (STRS)									
Contractually Required Contribution	$ 47,603	$ 58,305	$ 48,576	$ 63,686	$ 75,403	$ 109,182	$ 94,790	$ 100,765	$ 66,365
Contributions in Relation to the Contractually Required Contribution	(47,603)	(58,305)	(48,576)	(63,686)	(75,403)	(109,182)	(94,790)	(100,765)	(66,365)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
Academy Covered-Employee Payroll	$ 401,379	$ 448,500	$ 373,662	$ 489,892	$ 580,023	$ 839,862	$ 729,154	$ 775,115	$ 510,500
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)									
Contractually Required Contribution	$ 10,798	$ 32,712	$ 28,316	$ 44,022	$ 45,178	$ 60,263	$ 26,112	$ 16,469	$ -
Contributions in Relation to the Contractually Required Contribution	(10,798)	(32,712)	(28,316)	(44,022)	(45,178)	(60,263)	(26,112)	(16,469)	-
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
Academy Covered-Employee Payroll	$ 103,953	$ 236,017	$ 204,595	$ 327,301	$ 359,411	$ 445,074	$ 265,366	$ 167,709	$ -
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

(1) Information prior to 2007 is not available.

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

Gateway Academy of Ohio
Franklin County
2323 Lake Club Drive
Columbus, Ohio, 43232

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Gateway Academy of Ohio, Franklin 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 and have issued our report thereon dated March 20, 2017, wherein we noted during 2015 the Academy adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In addition, we noted the Academy is experiencing certain financial difficulties. We have qualified our opinion on the Academy's cash, expenditures, beginning and ending net position and cash flows

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015 004 and 2016-006 to be material weaknesses.

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 2015-003 through 2015-009.

Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2017

SCHEDULE OF FINDINGS
JUNE 30, 2015

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

FINDING NUMBER 2015-001

Financial Statement Presentation – Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is an essential control to help ensure the information provided to the readers of the financial statements is complete and accurate.

We have applied the following audit adjustments to the Academy's financial statements and the statement of cash flows where appropriate:

- Reclassification of non-operating grant receipts misclassified as foundation revenues in the amount of $92,947.
- To Increase receivables and foundation revenues by $30,834 for additional FTE adjustment processed by ODE after fiscal year end.
- To reduce net pension liability and deferred outflows by $53,864 due to a calculation error. To record $64,542 of accrued wages to account for the remainder of 2015 salary contracts paid by the Academy after fiscal year end.
- To reclassify $54,825 of the Gain on Assets & Liabilities as a Forgiveness of Capital Lease.
- To reclassify $7,130 offset to the Gain on Asset & liabilities as a Loss on Capital Assets.
- To reduce the Gain on Assets & liabilities by $64,468 and record an overdraft liability. This liability and current year expenditures were reduced by $17,931 of prior year expenditures duplicated as current year expenditures.
- To reduce beginning net position by $7,154 to agree to prior year statements.
- To reclassify $118,244 of salary expenditures as purchase services and fringe benefits in the amount of $104,792 of and $13,452 respectively.

In addition, the following variances were noted during the audit, but were determined to not have a material impact to the financial statements:

- To increase accounts payable by $16,037 for unrecorded liabilities.
- To reclassify $9,741 of accounts payables as intergovernmental payables.
- To record $5,261 of expenditures issued in 2015 but excluded from the financial statements.
- To reclassify $9,373 of mis-posted salary expenditures as fringe benefits.
- To reclassify $4,786 of casino revenues as non-operating receipts.
- To reduce pension expense and net pension liability at June 30, 2015 by $12,593.
- To increase net pension liability at June 30, 2014 by $14,536.

The Academy's 2015 financial statements were prepared from accounting ledgers recording expenditures as checks cleared the bank rather than as checks were issued. An outstanding check list was not prepared or maintained at fiscal year-end. Therefore, we are unable to determine expenditures were recorded in the appropriate accounting period. As a result, we qualified our opinion over beginning and ending net position, cash, expenditures and the statement of cash flows.

Not maintaining adequate financial records resulted in the audit adjustments and opinion qualifications noted above.

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

FINDING NUMBER 2015-001

Financial Statement Presentation – Material Weakness (Continued)

We recommend the Academy take steps to help ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted accounting principles (GAAP) and should be reviewed regularly by the Board of Directors. By exercising caution in recording financial activity, the Academy can help reduce posting errors and increase the reliability of the financial data throughout the year and at year-end.

The Treasurer should review the audit adjustments identified above to help ensure that similar errors are not reported in subsequent years. In addition, the Academy should adopt policies and procedures over financial reporting, including a final review of the financial statements.

Official's Response: See corrective action plan.

FINDING NUMBER 2015-002

Bank Reconciliations – Material Weakness

Strong monitoring practices of the Academy's financial activities are the responsibility of the Treasurer and the Board and are essential to help ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Additionally, the Treasurer and the Board should review the bank to book reconciliation and monthly financial reports including revenue, expenditures, and fund balance reports. Evidence of these reviews should be documented.

Bank to book reconciliations performed throughout the fiscal year included unidentified reconciling items. Alternate revenue and expenditure ledgers and bank reconciliations were created as part of the closing procedures of the Academy's books approximately four months after fiscal year-end.

Within the alternate ledgers, we identified 28 instances where the Treasurer recorded checks cashed in fiscal year 2015 which were previously recorded as expenditures in 2014, totaling $17,931. In addition, we identified an instance where a check was cashed in fiscal year 2015 for $103 which was issued in 2010. These 29 expenditures were not present on the Academy's outstanding check list throughout 2015. We also identified a check that was written in fiscal year 2015 but did not clear until 2016, which did not appear in the Academy's check register in 2015 but rather on the 2016 check register.

As a result of these changes at year end, inaccurate financial statements were prepared by the Academy and submitted for audit. In addition, financial reports provided to the Board to aid in management decisions could be inaccurate, which could lead to errors or irregularities going undetected by management.

We recommend the Treasurer to reconcile its bank accounts to the Academy's financial records on a monthly basis and have all reconciling items or errors identified and included on the face of the reconciliation. Any unreconciled balances should be researched to find the known source of the error. All errors should be corrected on the Academy's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliations be reviewed and approved by the Board and evidence of these reviews and approvals be documented in the minutes.

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

FINDING NUMBER 2015-002 (Continued)

Bank Reconciliations – Material Weakness (Continued

Official's Response: See corrective action plan.

FINDING NUMBER 2015-003

Payroll Expenditures – Noncompliance and Material Weakness

29 CFR § 516.2(a)(7) states that every employer shall maintain and preserve payroll records containing hours worked each workday and total hours worked each workweek. **29 CFR § 516.6** states that each employer is required to maintain all basic time and earning cards or sheets on which are entered the daily starting and stopping time of individual employees.

Further, Ohio Rev. Code §149.351 requires that all records that are property of the public office shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

In order to meet the above compliance requirements, all Academy employees should be paid based on the Board approved pay scale or rates and according to the hours listed on each employee's time sheet. Time sheets should be signed by employees and the appropriate supervisor should provide documentation and certification of their hours worked. Payroll data should be reviewed for accuracy and completeness. Those charged with governance and management should specify the level of competence needed for particular jobs and translate the desired levels of competence into requisite knowledge and skills.

During fiscal year 2015, the Academy only approved contracts for new employees in the minutes. Contracts for employees returning from the prior academic year were only signed by one board member and were not approved in the minutes. It cannot be determined if the entire Board approved these contracts. We also noted instances where employees did not sign their contract contained in their personnel files and found several employees did not have employment contracts in their personnel files at all. We also identified time cards were missing or incomplete for hourly employees.

Two employees terminated during fiscal year 2014, remained on the Academy's payroll as current employees into the following fiscal year; resulting in a delay of ten months and seven months respectively for their termination payments to be processed. We further noted while one employee's payout was reasonable; the other was overstated by $1,037. Refer to the finding for recovery issued in Finding 2015-009.

Payroll transactions, which constitute the largest source of the Academy's expenditures, are dependent on the standing data maintained in the employee master files to help ensure payroll expenditures are posted to the proper fund, calculated at the approved salary rates and are supported by actual time worked. Not maintaining standing data can result in the over/under payment of employees, leading to an increased risk of fraud or undetected misstatements of payroll compensation and misstated fund balances.

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

FINDING NUMBER 2015-003 (Continued)

Payroll Expenditures – Noncompliance and Material Weakness (Continued)

We recommend the Academy implement control procedures to review and maintain documentation of appointment, compensation, job descriptions and payroll records for all employees. All non-salaried employees should prepare and sign time cards to help ensure the accuracy of hours worked and have those time cards approved by a Supervisor. Payments should not be disbursed to hourly employees unless time cards have been appropriately approved. All salary payroll expenditures should be disbursed in accordance with the contract approved by the Academy's Board of Directors.

We further recommend all salaries contracts, salary schedules, raises and terminations be approved and documented in the minutes.

Official's Response: See corrective action plan.

FINDING NUMBER 2015-004

Student Admittances and Withdrawals – Noncompliance and Material Weakness

Ohio Rev. Code § 3314.08(H)(2) provides that a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under **Ohio Rev. Code § 3301.074.**

Ohio Rev. Code § 3314.08(H)(2) continues by stating a student's enrollment shall be considered to cease on the date on which any of the following occur: (a) The community school receives documentation from a parent terminating enrollment of the student; (b) The community school is provided documentation of a student's enrollment in another public or private school; (c) The community school ceases to offer learning opportunities to the student.

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

The Ohio Department of Education (ODE) EMIS Manual, Section 2.1.1 Student Enrollment Overview provides guidance on required documentation to be obtained by the School and maintained in the student file, including the documentation required for withdrawal for each withdrawal code reported in the SOES system.

The Academy had thirty one students enroll after the start of the school year. We recalculated the amounts of FTE received for five selected students in accordance with the dates their permanent records stated they started attending. We noted that two out of the five students had been incorrectly reported in amounts greater than 10%, with one being overstated 250%. One student was found to be consecutively truant more than 105 hours but remained enrolled at the Academy.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2015-004 (Continued)

Student Admittances and Withdrawals – Noncompliance and Material Weakness (Continued)

The Academy had forty withdrawals during fiscal year 2015. Of the six withdrawn students tested, the Academy did not have documentation from parents terminating enrollment or support for enrollment at another school for four of these students. The Academy has policies in place regarding student enrollment but not student withdrawals.

Failure to maintain appropriate enrollment information could lead to inaccurate reporting of students enrolled within the Academy. Student enrollment is the primary determination of the amount of foundation revenue provided by the State. Overstating student attendance could cause the Academy to receive revenue it was not entitled to receive.

Violation of this statute also places the Academy in violation of its contract with its Management Company, Educational Empowerment, as the contract requires the Academy to be in compliance with the Ohio laws.

We recommend the Academy establish policies over student withdraw procedures and require the Academy maintain withdrawal forms signed by the student's parent or guardian, supporting documentation or communication from other educational institutions or attendance and truancy documentation for all students whom have withdrawn from the Academy.

We further recommend the Academy implement control procedures to compare FTE calculations to the students' attendance records to help ensure student attendance is being accurately reported. Finally, we recommend the Academy unenroll students who are truant in excess of 105 hours in accordance with the 105 hour rule.

Official's Response: See corrective action plan.

FINDING NUMBER 2015-005

Ethics Referral – Noncompliance

Ohio Rev. Code § 2921.42 (A) states, in part, that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

During our review of supporting documentation for expenditures, we reviewed an email between the Academy Treasurer, Teresa Woods and the Academy Principal, Hydia Green, where the Treasurer encouraged the Principal to approve the hiring of Daniel Woods, the Treasurer's husband, to perform maintenance work for the Academy. Daniel Woods was paid a total of $1,904 from the Academy for maintenance and building repair services.

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

FINDING NUMBER 2015-005 (Continued)

Ethics Referral – Noncompliance (Continued)

In addition, we identified two checks that Treasurer, Teresa Woods, issued to herself for reimbursement of school expenditures paid out of pocket totaling $173. While a check register was submitted to the Board for approval at each board meeting, the Board did not review the supporting documentation to help ensure the expenses were for a proper public purpose. In addition, supporting documentation for these expenditures was not reviewed by any other member of the Academy.

Failure to have controls in place to help ensure the Academy is independent to all vendors could result in the Academy entering into contracts that might not be in the best interest of the Academy or the attending students.

We recommend the Academy implement controls to help ensure the appropriate steps are taken to verify that all vendors are independent of the management of the Academy, and policies and procedures are in place to detect and appropriately address any conflict of interest.

This matter will be referred to the Ohio Ethics Commission.

Official's Response: See corrective action plan.

FINDING NUMBER 2015-006

Unemployment Compensation Payments – Noncompliance and Material Weakness

Ohio Rev. Code § 4141.242(A) states, in part, "On or after January 1, 1978, the state, its instrumentalities, its political subdivisions and their instrumentalities... shall pay to the director of job and family services for deposit in the unemployment compensation fund an amount in lieu of contributions equal to the full amount of regular benefits, and the amount of extended benefits chargeable under the terms of **Ohio Rev. Code § 4141.301**, from that fund that is attributable to service in the employ of the public entity.

Ohio Admin. Code § 4141-11-02 requires:

(A) Every contributory employer subject to Chapter 4141 of the Revised Code shall pay contributions on its taxable payroll for each calendar quarter at a rate determined by the director in accordance with the requirements of Chapter 4141 of the Revised Code. Such payment is due and payable no later than the last day of the first month following the close of the calendar quarter for which such contributions are payable.

(B) When a contributory employer becomes subject to Chapter 4141 of the Revised Code in any calendar quarter and thereby incurs liability for contributions for prior quarters in the same calendar year, payment of such contributions is due and payable on the last day of the first month following the close of the calendar quarter in which the employer became subject to Chapter 4141 of the Revised Code.

(C) Any contribution, payment in lieu of contribution, interest, forfeiture, or fine due from an employer on or after January 1, 1993, shall, if not paid when due, bear interest at the annual rate of fourteen per cent compounded monthly on the aggregate receivable balance due. In such computation any fraction of a month shall be considered as a full month.

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

FINDING NUMBER 2015-006 (Continued)

Unemployment Compensation Payments – Noncompliance and Material Weakness (Continued)

The Academy did not make its required payments to the Ohio Department of Job and Family Services during fiscal year 2015 and has incurred an outstanding balance of $208,104 in principal and interest payments. Interest continues to increase monthly due to lack of payment.

Failure to make payments as required by the Ohio Administrative Code continually costs the Academy more in interest payments, reducing funding available for the Academy's purpose of educating its students.

We recommend the Academy's management and sponsor work together to create a plan for the Academy to pay its outstanding obligations and to establish procedures to help ensure current obligations are being met to reduce the amount of interest charged to the Academy.

Official's Response: See corrective action plan.

FINDING NUMBER 2015-007

Finding for Recovery – Tuition Reimbursement

Gateway Academy of Ohio had a tuition reimbursement policy in place during the 2014-2015 school year which allowed for employees who had provided a minimum six months of continuous services to be reimbursed 50% of tuition costs of classes from a degree program, providing the final grade was a B or higher.

Ms. Ashley Pence was hired as a teacher at the Academy on January 15, 2013. In February 2015, Ms. Pence requested reimbursement for two continuing education classes she completed in the 2014 Fall Semester at Arizona State University. Total tuition costs of the two courses were $3,036.

On May 28, 2015, the Academy reimbursed Ms. Pence the full cost of her tuition through an electronic funds transfer in violation of the Academy's policy. As a result, Ms. Pence received an overpayment of $1,518.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ashley Pence in the amount of $1,518 in favor of the Gateway Academy of Ohio's General Fund.

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

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

FINDING NUMBER 2015-007 (Continued)

Finding for Recovery – Tuition Reimbursement (Continued)

The Academy's Treasurer and Principal authorized the ACH warrants resulting in improper payments. Treasurer, Michael Ashmore, and his bonding company, Aegis Insurance Company, and Principal, Hydia Green, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of $1,518 in favor of the Gateway Academy of Ohio's General Fund

Official's Response: See corrective action plan.

FINDING NUMBER 2015-008

Finding for Recovery – Supporting Documentation (Partially repaid under audit)

Ohio Rev. Code § 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Revised Code. **Ohio Rev. Code § 149.43(B)** states in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy wrote 6 checks to 5 individuals, totaling $2,189. No supporting or adequate documentation was maintained or provided to support payment to these individuals. See the table below:

Date	Employee or Vendor	Description	Amount
7/31/2014	Frederick Taylor	Mileage reimbursement.	$400
7/31/2014	Teresa Woods	Mileage and supplies reimbursement.	145
8/13/2014	Hydia Green	Mileage Reimbursement	12
9/26/2014	Daniel Woods	No supporting documentation provided.	104
10/14/2014	Teresa Woods	Reimbursement.	28
12/15/2014	Dwayne Russell	No supporting documentation provided.	1,500

Without the appropriate documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. All checks issued above were authorized by Treasurer Teresa Woods with the exception of the checks issued to Daniel Woods and Dwayne Russell. These two checks were issued by Principal Hydia Green after Teresa Woods resigned.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Frederick Taylor in the amount of $400; Daniel Woods in the amount of $104; Dwayne Russell in the amount of $1,500; Hydia Green and her bonding company, the Cincinnati Insurance Company, in the amount of $12; and Teresa Woods, and her bonding company, the Cincinnati Insurance Company, in the amount of $173, in favor of Gateway Academy of Ohio's General Fund.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2015-008 (Continued)

Finding for Recovery – Supporting Documentation (Partially repaid under audit) (Continued)

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

The Academy's Principal and Treasurer signed the warrants resulting in improper payments. Teresa Woods, Treasurer, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of $412 and in favor of the Gateway Academy of Ohio's General Fund. Hydia Green, Principal, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of $1,604.

On March 3, 2017, Teresa Woods repaid $173 of reimbursement she received to the Academy's General fund.

Official's Response: See corrective action plan.

FINDING NUMBER 2015-009

Finding for Recovery – Termination Payment

During Fiscal Years 2013 and 2014, Thurman Walker, Student Resource Officer, had an employment contract with the Academy for $17,952 and $25,454, respectively. On December 17, 2013, Mr. Thomas was terminated from his employment for excessive tardiness and/or absences. On August 14, 2014, Mr. Walker was notified by Gateway Academy he was due an additional $2,429 for accrued (earned) wages. The amount owed was to be paid out over six equal payments of $404.85 beginning pay period ending August 15, 2014 through pay period ending October 30, 2014. Payments were remitted electronically using bank account information on file with the Academy. However, Thurman Walker only received four of those payments but was still overcompensated in wages earned as set forth below:

Total Earned Wages	Amount Paid in FY 2014	Amount Owed	Amount Paid in FY2015	Amount Overpaid
$22,367	$21,786	$581	$1,619	$1,038

His payroll was approved by Teresa Woods, Treasurer. There was no documentation indicating the Board approved the overpayments. Further, there was no indication the overpayments were for an otherwise proper public purpose.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Thurman Walker in the amount of $1,038, $520 in favor of Gateway Academy of Ohio's General Fund and $518 in favor of the Title I Fund.

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

FINDING NUMBER 2015-009 (Continued)

Finding for Recovery – Termination Payment (Continued)

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

The Academy's Treasurer authorized the ACH warrants resulting in improper payments. Teresa Woods, Treasurer, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of $1,038, $520 in favor of the Gateway Academy of Ohio's General Fund and $518 in favor of the Title I Fund.

Official's Response: See corrective action plan.

GATEWAY ACADEMY
FRANKLIN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Federal Income Tax Withholdings – 26 U.S.C. 3102(a) and 3402(a).	Corrected.	
2014-002	Timely submission of withholding payments – ORC 3307.26, 3307.28, and 3307.291.	Corrected.	
2014-003	Use of restricted funds.	Corrected.	
2014-004	Financial monitoring.	Partially corrected	Remaining items included in Finding 2015-001 Not corrected due to timeliness of prior audit. Refer to corrective action plan.
2014-005	Condition of Accounting Records – ORC 149.351	Not Corrected.	Reissued as Findings 2015-007, 2015-008 and 2015-009 Not corrected due to timeliness of prior audit. Refer to corrective action plan. An additional comment was issued in report letter to management for missing supporting documentation.
2014-006	Unemployment Compensation Payments – ORC 4141.242.	Not Corrected.	Reissued as Finding 2015-006. Not corrected as the Academy does not have the funds to pay the outstanding liability. Refer to corrective action plan.
2014-007	Student Withdrawals – ORC 3314.08(H)(2).	Not Corrected.	Reissued as Finding 2015-004. Not corrected due to timeliness of prior audit. Refer to corrective action plan.
2014-008 2013-001	Financial statement presentation.(First issued in 2011)	Not Corrected.	Reissued as Finding 2015-001. Not corrected due to timeliness of prior audit. Refer to corrective action plan.
2014-009	Bank reconciliation.	Not corrected	Reissued as Finding 2015-002. Not corrected due to timeliness of prior audit. Refer to corrective action plan.
2014-010	Filing of Annual Financial Report – ORC 117.38.	Partially corrected	Repeated in report letter to management. Not corrected due to timeliness of prior audit. Refer to corrective action plan.
2014-011	Capital Asset Inventory Procedures – Policy 148.2.	Corrected.	

GATEWAY ACADEMY
FRANKLIN COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2015

Finding Number	Planned Corrective Action	Completion Date	Responsible Contact Person
2015-001	The academy has engaged the services of a new treasurer, a new management company and new legal counsel, all of which have proven track records of success. The new treasurer maintains adequate financial statements and bank records that are submitted to the board, management and the sponsor for monthly review. The sponsor provides the board with a monthly rating evaluating the accuracy of the records and financial strength of the school. The new treasurer is now recording all check transactions as they are issued as opposed to when they clear the bank.	7/1/2016	Wendy Rydarowicz
2015-002	The academy's new treasurer reconciles all bank accounts monthly and a bank to book reconciliation is performed and adjusted at the time the reconciling item or error is discovered. This is done at the beginning of each month and the report is provided to the board of directors, the sponsor, the board's legal counsel and the management company. With the changes in treasurer and management all checks are cut from the treasurer's office and are approved by the school board. The board has created an audit committee that ensures that all reconciliations happen on a monthly and notes in board meeting minutes.	7/1/2016	Wendy Rydarowicz
2015-003	At the conclusion of FY15, the board made the decision to outsource employment of school employees to its management company. The management company is now responsible for all record keeping as relates to employee files. The management company provides detailed reports of all pay and employee costs to the school's treasurer and board for review.	7/1/2016	Wendy Rydarowicz
2015-004	The Academy has hired a new management company to ensure that all student data is correct, up to date and easily accessible within the students file. All withdrawal records, including attendance data, is available within student files. Withdrawal forms are provided to parents/guardians upon the withdrawal of their student from the Academy.	7/1/2016	Wendy Rydarowicz

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2015
(Continued)

2015-005	The Academy has hired a treasurer and management team, both with a track record of clean audits and meticulous record keeping. This ensures copies of checks, deposit slips, receipts, invoices, check requests and contracts can be easily accessed, presented upon request and are appropriately attached to transactions. Verification and controls of vendors are now in place to ensure the Academy is independent to all vendors.	7/1/2016	Wendy Rydarowicz
2015-006	The Academy's management team has worked closely with the treasurer and attorney to both negotiate and establish a re-payment plan with the Ohio Department of Job and Family Services. In addition, all academy employees were transferred to the management company to ensure all current and future payments are timely.	7/1/2016	Wendy Rydarowicz
2015-007	A new treasurer is in place at the school and will follow the school's tuition reimbursement policy as stated in the employee handbook.	7/1/2016	Wendy Rydarowicz
2015-008	All reimbursement for expenses and travel are first filtered through the management company for approval. Once management approves the reimbursement, documentation is then sent to treasurer for final review and payment. The treasurer does not reimburse the employee without the necessary documentation and receipts.	7/1/2016	Wendy Rydarowicz
2015-009	The management company now handles all aspects of employment. This includes the calculations of employee termination payout. The treasurer also reviews all payouts for accuracy.	7/1/2016	Wendy Rydarowicz

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GATEWAY ACADEMY OF OHIO

FRANKLIN 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
MAY 4, 2017