

**MANSFIELD  
ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2016**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Members of the Board  
Mansfield Elective Academy  
45 Bowman Street  
Mansfield, Ohio 44903

We have reviewed the *Independent Auditor's Report* of the Mansfield Elective Academy, Richland County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 21, 2017

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**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Mansfield Elective Academy  
Mansfield, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Mansfield Elective Academy, Richland County, Ohio, (the Academy) as of and for the year ended June 30, 2016, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mansfield Elective Academy, Richland County, Ohio, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the Academy is requesting forgiveness of intergovernmental payable through legal process. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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



## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the Mansfield Elective Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mansfield Elective Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 22, 2016

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**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The management's discussion and analysis of the Mansfield Elective Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position was \$89,732 at June 30, 2016.
- The Academy had operating revenues of \$291,879, operating expenses of \$473,631 and non-operating revenues of \$147,468 for fiscal year 2016. Total change in net position for the fiscal year was a decrease of \$34,284.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy's Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in that position. 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 causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

***Notes to the Basic Financial Statements***

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 12-24 of this report.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's net pension liability. The required supplementary information can be found on pages 25-27 of this report.

The table below provides a summary of the Academy's net position at June 30, 2016 and June 30, 2015.

|                                              | <b>Net Position</b> |                   |
|----------------------------------------------|---------------------|-------------------|
|                                              | <u>2016</u>         | <u>2015</u>       |
| <b><u>Assets</u></b>                         |                     |                   |
| Current assets                               | \$ 213,201          | \$ 237,591        |
| Non-current assets                           | <u>3,000</u>        | <u>4,878</u>      |
| Total assets                                 | <u>216,201</u>      | <u>242,469</u>    |
| <b><u>Deferred Outflows of Resources</u></b> |                     |                   |
| Pension - STRS                               | <u>61,077</u>       | <u>-</u>          |
| <b><u>Liabilities</u></b>                    |                     |                   |
| Current liabilities                          | 119,567             | 118,453           |
| Non-current liabilities                      | <u>63,418</u>       | <u>-</u>          |
| Total liabilities                            | <u>182,985</u>      | <u>118,453</u>    |
| <b><u>Deferred Inflows of Resources</u></b>  |                     |                   |
| Pension - STRS                               | <u>4,561</u>        | <u>-</u>          |
| <b><u>Net Position</u></b>                   |                     |                   |
| Investment in capital assets                 | 3,000               | 4,878             |
| Restricted                                   | 1,848               | -                 |
| Unrestricted                                 | <u>84,884</u>       | <u>119,138</u>    |
| Total net position                           | <u>\$ 89,732</u>    | <u>\$ 124,016</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Academy's net position totaled \$89,732. The increase in liabilities were due to the District being the employer of record with STRS for the employees used throughout the fiscal year provided by Renhill Group Inc.

The Academy's balance of unrestricted net position of \$84,884 may be used to meet the Academy's ongoing obligation to the students and creditors.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

At year-end, capital assets represented 1.39% of total assets. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

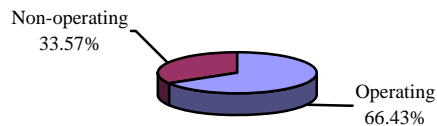
The table below shows the changes in net position for fiscal years 2016 and 2015.

**Change in Net Position**

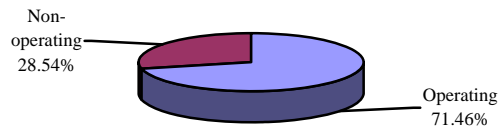
|                                       | <u>2016</u>      | <u>2015</u>       |
|---------------------------------------|------------------|-------------------|
| <b><u>Operating Revenues:</u></b>     |                  |                   |
| Foundation revenue                    | \$ 291,244       | \$ 292,769        |
| Other                                 | <u>635</u>       | <u>3,111</u>      |
| Total operating revenues              | <u>291,879</u>   | <u>295,880</u>    |
| <b><u>Operating Expenses:</u></b>     |                  |                   |
| Fringe benefits                       | 12,735           | -                 |
| Purchased services                    | 440,619          | 339,247           |
| Materials and supplies                | 7,383            | 6,452             |
| Depreciation                          | 1,878            | 1,878             |
| Other                                 | <u>11,016</u>    | <u>9,129</u>      |
| Total operating expenses              | <u>473,631</u>   | <u>356,706</u>    |
| <b><u>Non-operating Revenues:</u></b> |                  |                   |
| Federal and State grants              | 147,203          | 118,022           |
| Interest revenue                      | <u>265</u>       | <u>158</u>        |
| Total non-operating revenues          | <u>147,468</u>   | <u>118,180</u>    |
| Change in net position                | (34,284)         | 57,354            |
| Net position at beginning of year     | <u>124,016</u>   | <u>66,662</u>     |
| Net position at end of year           | <u>\$ 89,732</u> | <u>\$ 124,016</u> |

The charts below illustrate the revenues for the Academy for fiscal years 2016 and 2015.

**2016 Revenues**



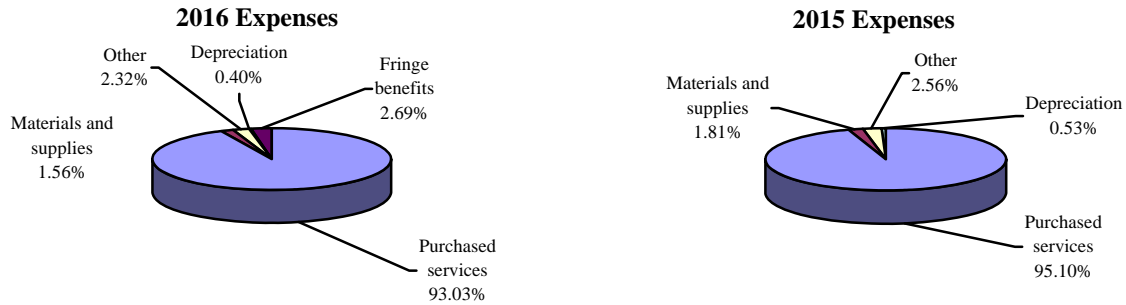
**2015 Revenues**



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The charts below illustrate the expenses for the Academy during fiscal years 2016 and 2015.



**Capital Assets**

At June 30, 2016, the Academy had \$3,000 invested in equipment, net of accumulated depreciation. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

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

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Dan Lamb, Treasurer at 40 Hill Road South, Pickerington, Ohio 43147 or email [dlamb@charterschoolspec.com](mailto:dlamb@charterschoolspec.com).

**BASIC  
FINANCIAL STATEMENTS**

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

|                                                |                  |
|------------------------------------------------|------------------|
| <b>Assets:</b>                                 |                  |
| Current assets:                                |                  |
| Cash and cash equivalents . . . . .            | \$ 130,384       |
| Receivables:                                   |                  |
| Intergovernmental. . . . .                     | 80,358           |
| Prepayments . . . . .                          | <u>2,459</u>     |
| Total current assets . . . . .                 | <u>213,201</u>   |
| Non-current assets:                            |                  |
| Depreciable capital assets, net . . . . .      | <u>3,000</u>     |
| Total non-current assets. . . . .              | <u>3,000</u>     |
| Total assets. . . . .                          | <u>216,201</u>   |
| Deferred outflows of resources:                |                  |
| Pension - STRS. . . . .                        | <u>61,077</u>    |
| Total deferred outflows of resources . . . . . | <u>61,077</u>    |
| <b>Liabilities:</b>                            |                  |
| Current liabilities:                           |                  |
| Accounts payable. . . . .                      | 6,768            |
| Intergovernmental payable . . . . .            | <u>112,799</u>   |
| Total current liabilities . . . . .            | <u>119,567</u>   |
| Non-current liabilities:                       |                  |
| Net pension liability . . . . .                | <u>63,418</u>    |
| Total non-current liabilities . . . . .        | <u>63,418</u>    |
| Total liabilities . . . . .                    | <u>182,985</u>   |
| Deferred inflows of resources:                 |                  |
| Pension - STRS. . . . .                        | <u>4,561</u>     |
| Total deferred inflows of resources . . . . .  | <u>4,561</u>     |
| Total liabilities . . . . .                    | <u>187,546</u>   |
| <b>Net position:</b>                           |                  |
| Investment in capital assets. . . . .          | 3,000            |
| Restricted for federal programs . . . . .      | 1,848            |
| Unrestricted. . . . .                          | <u>84,884</u>    |
| Total net position. . . . .                    | <u>\$ 89,732</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|                                                    |                  |
|----------------------------------------------------|------------------|
| <b>Operating revenues:</b>                         |                  |
| Foundation revenue . . . . .                       | \$ 291,244       |
| Other . . . . .                                    | 635              |
| Total operating revenues . . . . .                 | <u>291,879</u>   |
| <b>Operating expenses:</b>                         |                  |
| Fringe benefits. . . . .                           | 12,735           |
| Purchased services. . . . .                        | 440,619          |
| Materials and supplies . . . . .                   | 7,383            |
| Other. . . . .                                     | 11,016           |
| Depreciation . . . . .                             | 1,878            |
| Total operating expenses. . . . .                  | <u>473,631</u>   |
| Operating loss . . . . .                           | <u>(181,752)</u> |
| <b>Non-operating revenues:</b>                     |                  |
| Federal and State grants . . . . .                 | 147,203          |
| Interest revenue. . . . .                          | 265              |
| Total non-operating revenues . . . . .             | <u>147,468</u>   |
| Change in net position . . . . .                   | (34,284)         |
| <b>Net position at beginning of year . . . . .</b> | <u>124,016</u>   |
| <b>Net position at end of year . . . . .</b>       | <u>\$ 89,732</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|                                                                                       |                     |
|---------------------------------------------------------------------------------------|---------------------|
| <b>Cash flows from operating activities:</b>                                          |                     |
| Cash received from state foundation . . . . .                                         | \$ 278,036          |
| Cash received from other operations . . . . .                                         | 635                 |
| Cash payments for fringe benefits . . . . .                                           | (5,833)             |
| Cash payments for contractual services . . . . .                                      | (438,586)           |
| Cash payments for materials and supplies . . . . .                                    | (8,345)             |
| Cash payments for other expenses . . . . .                                            | (10,985)            |
|                                                                                       | (185,078)           |
| <b>Net cash used in operating activities . . . . .</b>                                |                     |
| <b>Cash flows from noncapital financing activities:</b>                               |                     |
| Cash received from grants and subsidies. . . . .                                      | 133,055             |
|                                                                                       | 133,055             |
| <b>Net cash provided by noncapital financing activities. . . . .</b>                  |                     |
|                                                                                       | 133,055             |
| <b>Cash flows from investing activities:</b>                                          |                     |
| Interest received . . . . .                                                           | 265                 |
|                                                                                       | 265                 |
| <b>Net cash provided by investing activities . . . . .</b>                            |                     |
|                                                                                       | 265                 |
| Net increase in cash and cash equivalents . . . . .                                   | (51,758)            |
| <b>Cash and cash equivalents at beginning of year . . .</b>                           | <b>182,142</b>      |
| <b>Cash and cash equivalents at end of year . . . . .</b>                             | <b>\$ 130,384</b>   |
|                                                                                       | <b>130,384</b>      |
| <br><b>Reconciliation of operating loss to net cash used in operating activities:</b> |                     |
| Operating loss. . . . .                                                               | \$ (181,752)        |
| Adjustments:                                                                          |                     |
| Depreciation . . . . .                                                                | 1,878               |
| Changes in assets and liabilities:                                                    |                     |
| Increase in Net pension liability. . . . .                                            | 63,418              |
| (Increase) in Deferred outflows - STRS. . . . .                                       | (61,077)            |
| (Increase) in intergovernmental receivable . . . . .                                  | (13,251)            |
| Decrease in prepayments . . . . .                                                     | 31                  |
| Increase in accounts payable. . . . .                                                 | 1,071               |
| Increase in intergovernmental payable . . . . .                                       | 43                  |
| Increase in Deferred inflows - STRS. . . . .                                          | 4,561               |
|                                                                                       | 4,561               |
| <b>Net cash used in operating activities . . . . .</b>                                | <b>\$ (185,078)</b> |
|                                                                                       | <b>(185,078)</b>    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Mansfield Elective Academy (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of “at-risk” students in kindergarten through eighth grade. “At-Risk” students, for purposes of the Academy, can be described as students who live in non-traditional settings. The Academy 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.

The Academy provides educational opportunities for students in kindergarten through eighth grade. The mission of the Academy is to provide elementary and middle school students living within a guardian family setting a comprehensive educational program that helps meet the academic, psycho-social and emotional needs of the students and offers support to their caregivers and the school community.

The Academy entered into a new sponsorship agreement for the period June 15, 2014 through June 30, 2017 with the Ohio Department of Education.

The Academy entered into a fiscal services agreement with Charter School Specialists, LLC. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of the Academy, any assets remaining shall be conveyed to the Sponsor.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant 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.

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets plus deferred outflows and all liabilities plus deferred inflows are included on the statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**D. 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 Section 5705, unless specifically provided in their contract with their Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**E. Cash**

Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2016, investments were limited to repurchase agreements. Investments were reported at fair value which is based on quoted market prices.

**F. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,500. 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over five years.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**G. Net Position**

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

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

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**I. Prepayments**

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**J. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, and the Improving Teacher Quality grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. Federal and State grant revenue for the fiscal year 2016 was \$147,203.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**K. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2016, the Academy has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Cash on Hand**

At fiscal year end, the Academy had \$500 in undeposited cash on hand which is included on the financial statements of the Academy as part of "equity in pooled cash and cash equivalents".

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of the Academy's deposits was \$(7,682), exclusive of the \$137,566 in repurchase agreements included in investments. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the Academy's bank accounts. The negative carrying amount of deposits is due to a timing difference in deposits. The Academy had a zero bank balance at June 30, 2016.

**C. Investments**

As of June 30, 2016, the Academy had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment<br/>Maturities</u><br>6 months or<br>less |
|------------------------|-------------------|---------------------------------------------------------|
| Repurchase agreement   | <u>\$ 137,566</u> | <u>\$ 137,566</u>                                       |

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The federal agency securities underlying the repurchase agreement were rated AA+ by Standard and Poor's and Aaa by Moody's. The Academy has no investment policy dealing with credit risk beyond the requirements of State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Academy's \$137,566 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2016:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| Repurchase agreement   | <u>\$ 137,566</u> | <u>100.00</u>     |

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

|                                                               |                   |
|---------------------------------------------------------------|-------------------|
| <u>Cash and investments per note</u>                          |                   |
| Carrying amount of deposits                                   | \$ (7,682)        |
| Investments                                                   | 137,566           |
| Cash on hand                                                  | <u>500</u>        |
| Total                                                         | <u>\$ 130,384</u> |
| <br><u>Cash and investments per statement of net position</u> |                   |
| Business-type activities                                      | <u>\$ 130,384</u> |

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

|                                    | Balance<br><u>06/30/15</u> | <u>Additions</u>  | <u>Deductions</u> | Balance<br><u>06/30/16</u> |
|------------------------------------|----------------------------|-------------------|-------------------|----------------------------|
| Capital assets, being depreciated: |                            |                   |                   |                            |
| Equipment                          | \$ 93,046                  | \$ -              | \$ -              | \$ 93,046                  |
| Less: accumulated depreciation     | <u>(88,168)</u>            | <u>(1,878)</u>    | <u>-</u>          | <u>(90,046)</u>            |
| Capital assets, net                | <u>\$ 4,878</u>            | <u>\$ (1,878)</u> | <u>\$ -</u>       | <u>\$ 3,000</u>            |

**NOTE 6 - RECEIVABLES**

The Academy had the following intergovernmental receivables at June 30, 2016:

|                              |                  |
|------------------------------|------------------|
| Food service                 | \$ 2,367         |
| Ohio Department of Education | 13,883           |
| IDEA, Part B                 | 8,551            |
| School improvement           | 36,089           |
| Title I                      | 17,620           |
| Improving teacher quality    | <u>1,848</u>     |
| Total                        | <u>\$ 80,358</u> |

The intergovernmental receivables are expected to be collected in the subsequent year.



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - LONG-TERM OBLIGATIONS**

Changes in the Academy's long-term obligations during fiscal year 2016 were as follows.

|                                                        | Balance<br><u>06/30/15</u> | <u>Additions</u> | <u>Reductions</u> | Balance<br><u>06/30/16</u> | Due Within<br><u>One Year</u> |
|--------------------------------------------------------|----------------------------|------------------|-------------------|----------------------------|-------------------------------|
| Net pension liability                                  | \$ -                       | \$ 63,418        | \$ -              | \$ 63,418                  | \$ -                          |
| Total governmental activities<br>long-term liabilities | <u>\$ -</u>                | <u>\$ 63,418</u> | <u>\$ -</u>       | <u>\$ 63,418</u>           | <u>\$ -</u>                   |

*Net Pension Liability:* See Note 11 for details.

**NOTE 8 - PURCHASED SERVICES**

For fiscal year ended June 30, 2016, purchased services expenses were as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 361,036        |
| Property rental                     | 33,780            |
| Travel and meetings                 | 8,401             |
| Communications                      | 1,918             |
| Contracted trade                    | 23,741            |
| Other                               | <u>11,743</u>     |
| Total                               | <u>\$ 440,619</u> |

**NOTE 9 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2016, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides the Treasurer \$25,000 of bond coverage through Travelers Casualty and Surety.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2016, if applicable, cannot be determined at this time.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 10 - CONTINGENCIES - (Continued)**

**B. Litigation**

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements, except for intergovernmental payable in the amount of \$112,753, that is owed to the Mansfield City School District for providing instructional services in prior years. As of the date of this report, the Academy is requesting forgiveness of this amount through legal process.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. There were two adjustments to Foundation revenue. The first adjustment was \$13,883, which is recorded as an intergovernmental receivable on the statement of net position. The second adjustment was an amount due to the Ohio Department of Education of \$43, which was recorded as due to other governments on the statement of net position.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. 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.

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.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (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 *pension and postemployment benefits payable*.

**B. Plan Description - State Teachers Retirement System (STRS)**

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

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$5,703 for fiscal year 2016. Of this amount, \$0 is reported as pension and postemployment benefits payable.

**C. 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, 2015, 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:

|                                                  | <u>STRS</u> |
|--------------------------------------------------|-------------|
| Proportionate Share of the Net Pension Liability | \$63,418    |
| Proportion of the Net Pension Liability          | 0.00022947% |
| Pension Expense                                  | \$12,605    |

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | STRS     |
|----------------------------------------------------------------------------------|----------|
| <b>Deferred Outflows of Resources</b>                                            |          |
| Differences between expected and actual experience                               | \$2,891  |
| Changes in proportionate share                                                   | 52,483   |
| District contributions subsequent to the measurement date                        | 5,703    |
| Total Deferred Outflows of Resources                                             | \$61,077 |
| <b>Deferred Inflows of Resources</b>                                             |          |
| Net difference between projected and actual earnings on pension plan investments | \$4,561  |
| Total Deferred Inflows of Resources                                              | \$4,561  |

\$5,703 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 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     |
|-----------------------------|----------|
| Fiscal Year Ending June 30: |          |
| 2017                        | \$12,092 |
| 2018                        | 12,092   |
| 2019                        | 12,092   |
| 2020                        | 14,537   |
| Total                       | \$50,813 |

**D. Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                   |                                                                                                                                                                                                                  |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation                         | 2.75 percent                                                                                                                                                                                                     |
| Projected salary increases        | 2.75 percent at age 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. |

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

**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:

|                                                             | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|-------------------------------------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| District's proportionate share of the net pension liability | \$88,093                       | \$63,418                                     | \$42,553                       |

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 12 - SERVICE AGREEMENT**

The Academy contracted with Interactive Media and Construction, Inc. (IMAC) for educational services, including teachers and administrators. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$245,606 to IMAC for educational services during fiscal year 2016.

**NOTE 13 - FISCAL SERVICE CONTRACT**

The Academy entered into a service contract with Charter School Specialists, LLC. (CSS) for the period July 1, 2015 through June 30, 2016 to provide fiscal consulting services. The Academy paid CSS \$12,000 in service fees for fiscal year 2016.

**NOTE 14 - OPERATING LEASE - LESSEE DISCLOSURE**

The Academy along with the Mansfield Enhancement Academy and the Interactive Media and Construction, Inc. entered into a one year operating lease commencing September 1, 2009 and ending August 31, 2010 with the City of Mansfield for the use of classrooms and offices. This lease has been renewed on an annual basis with the most recent renewal for an additional one year term commencing August 1, 2015 and ending July 31, 2016. The lease payment is \$8,150 per month, with payments divided between the three participating Academies. The Academy paid \$32,600 lease payments during fiscal year 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**



**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FISCAL YEAR

|                                                                                                            | <u>2015</u> |
|------------------------------------------------------------------------------------------------------------|-------------|
| Academy's proportion of the net pension liability                                                          | 0.00022947% |
| Academy's proportionate share of the net pension liability                                                 | \$ 63,419   |
| Academy's covered-employee payroll                                                                         | \$ 40,736   |
| Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 155.68%     |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 72.10%      |

Note: Information prior to fiscal year 2015 was not applicable.

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

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY'S CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

|                                                                         | <b>2016</b> | <b>2015</b> |
|-------------------------------------------------------------------------|-------------|-------------|
| Contractually required contribution                                     | \$ 5,703    | \$ 3,352    |
| Contributions in relation to the<br>contractually required contribution | (5,703)     | (3,352)     |
| Contribution deficiency (excess)                                        | \$ -        | \$ -        |
| Academy's covered-employee payroll                                      | \$ 40,736   | \$ 25,432   |
| Contributions as a percentage of<br>covered-employee payroll            | 14.00%      | 13.18%      |

Note: Information prior to fiscal year 2015 was not applicable.

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2015-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board  
Mansfield Elective Academy  
Mansfield, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Mansfield Elective Academy, Richland County, Ohio, (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 22, 2016, wherein we noted the Academy is requesting forgiveness of intergovernmental payable through legal process.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Mansfield Elective Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mansfield Elective Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mansfield Elective Academy's internal control.

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 22, 2016

**MANSFIELD ELECTIVE ACADEMY  
RICHLAND COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

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The prior audit report as of June 30, 2015 had no audit findings or management letter recommendations.

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# Dave Yost • Auditor of State

**MANSFIELD ELECTIVE ACADEMY**

**RICHLAND 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  
APRIL 4, 2017**