

**GROVEPORT MADISON CRUISER ACADEMY**

**FRANKLIN COUNTY**

**FINAL AUDIT**

***(A COMPONENT UNIT OF THE  
GROVEPORT MADISON LOCAL  
SCHOOL DISTRICT)***

**JULY 1, 2016 – JUNE 30, 2017**







# Dave Yost • Auditor of State

Board of Education  
Groveport Madison Cruiser Academy  
4400 Marketing Place, Suite B  
Groveport, Ohio 43125

We have reviewed the *Independent Auditors' Report* of the Groveport Madison Cruiser Academy, Franklin County, prepared by Wilson, Shannon & Snow Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Groveport Madison Cruiser 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

January 25, 2018

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**GROVEPORT MADISON CRUISER ACADEMY  
FRANKLIN COUNTY**

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Groveport Madison Cruiser Academy  
Franklin County  
4400 Marketing Place, Suite B  
Groveport, Ohio 43125



## INDEPENDENT AUDITOR'S REPORT

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Groveport Madison Cruiser Academy, Franklin County, Ohio, a component unit of the Groveport Madison Local School District (the Academy), as of and for the fiscal year ended June 30, 2017, 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Groveport Madison Cruiser Academy, Franklin County as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 12 of the basic financial statements, the Academy formally ceased operations effective June 30, 2017. 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* 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 December 26, 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.

*Wilson, Shuman & Snow, Inc.*

December 26, 2017  
Newark, Ohio



**Groveport Madison Cruiser Academy**  
**Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
(Unaudited)

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As management of the Groveport Madison Cruiser Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

### **Financial Highlights**

Key financial highlights for the Academy are as follows:

- On May 19, 2017, the Sponsor's Board of Education voted to non-renew the contract and close the Academy as of June 30, 2017.
- The Academy presented a special item of \$948,969 representing costs directly related to the closing of the Academy. Any cash balances remaining after the collection of all receivables and the payment of all liabilities will be transferred to the Groveport Madison Local School District. This payment to the Groveport Madison Local School District is included in the special item. This special item also includes capital asset disposals and capital asset transfers to Groveport Madison Local School District.

### **Using this Annual Financial Report**

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

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement 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.

This statement reports the Academy's net position; however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net 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.

**Groveport Madison Cruiser Academy  
Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
(Unaudited)

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**Financial Analysis**

Table 1 provides a summary of the Academy's net position at June 30, 2017 compared to the prior fiscal year.

**Table 1  
Net Position at Fiscal Year End**

	2017	2016
<b>Assets:</b>		
Current and Other Assets	\$ 141,794	\$ 1,045,551
Intergovernmental Receivables	66,984	-
Capital Assets, Net	-	15,975
Total Assets	208,778	1,061,526
<b>Liabilities:</b>		
Current Liabilities	208,778	307,749
Total Liabilities	208,778	307,749
<b>Net Position:</b>		
Investment in Capital Assets	-	15,975
Unrestricted	-	737,802
Total Net Position	\$ -	\$ 753,777

Current and Other Assets and Net Position both decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of closure of the Academy and the transfer of remaining cash to the Groveport Madison Local School District.

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**Groveport Madison Cruiser Academy  
Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
(Unaudited)

**Financial Analysis**

Table 2 shows the change in net position for the fiscal year ended June 30, 2017 compared to the prior fiscal year.

**Table 2  
Changes in Net Position**

	2017	2016
<b><u>Operating revenues:</u></b>		
Foundation	\$ 1,023,627	\$ 1,319,699
Other	370	200
Total operating revenues	<u>1,023,997</u>	<u>1,319,899</u>
<b><u>Operating expenses:</u></b>		
Purchased services	896,237	1,074,709
Materials and supplies	61,581	39,707
Depreciation	6,416	2,180
Other	8,586	60,295
Total operating expenses	<u>972,820</u>	<u>1,176,891</u>
Operating income	51,177	143,008
<b><u>Non-operating revenues:</u></b>		
Federal and State grants	66,984	87,992
Other restricted grants in aide	37,853	40,927
Other unrestricted grants in aide	39,178	36,531
Total non-operating revenues	<u>144,015</u>	<u>165,450</u>
Special item	(948,969)	-
Change in net position	<u>(753,777)</u>	<u>308,458</u>
Net position at the beginning of the year	<u>753,777</u>	<u>445,319</u>
Net position at the end of the year	<u>\$ -</u>	<u>\$ 753,777</u>

Operating Revenues and Operating Expenses both decreased significantly in comparison with the prior fiscal year. These decreases are primarily the result of declining student enrollment.

The special item represents costs directly related to the closing of the Academy. Any cash balances remaining after the collection of all receivables and the payment of all liabilities will be transferred to the Groveport Madison Local School District. This payment to the Groveport Madison Local School District is included in the special item. This special item also includes capital asset disposals and capital asset transfers to Groveport Madison Local School District.

**Groveport Madison Cruiser Academy  
Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
(Unaudited)

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**Capital Assets**

At fiscal year-end, the Academy's net capital asset balance was \$0, a decrease of \$15,975 in comparison with the prior fiscal year. This decrease represents current year acquisitions of \$53,390, offset by current year depreciation of \$6,416 and net closure deletions of \$62,949. For more information on capital assets, see Note 4 to the basic financial statements.

**Debt**

At fiscal year-end, the Academy had no debt.

**Current Financial Issues**

On May 9, 2017, the Sponsor's Board of Education approved the closure and discontinuation of the contract between the Sponsor and Groveport Madison Cruiser Academy effective at the end of the current contract period which ended June 30, 2017. This closure was deemed necessary due to the new laws and regulations that have imposed increasingly burdensome and costly new requirements and constraints on the community schools and their sponsors, as a result of which the ability of the Board and the Academy to continue working together was at risk. The new changes in law and ODE's interpretation of law threatened the financial stability of the Academy. Both parties have determined that it is in the best interest of the students and potential students served by the Academy and of the greater educational community served by the parties, for the Academy to close permanently at June 30, 2017.

**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of the Groveport Madison Cruiser Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Joyce Disharoon, Treasurer of Groveport Madison Cruiser Academy, 4400 Marketing Place Suite B, Groveport, Ohio, 43125.

**GROVEPORT MADISON CRUISER ACADEMY  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2017

**Assets:**

Current Assets

Cash	\$ 141,794
Intergovernmental Receivables	<u>66,984</u>
Total Assets	<u>208,778</u>

**Liabilities:**

Current Liabilities

Intergovernmental Payable	<u>208,778</u>
Total Liabilities	<u>208,778</u>

**Net Position:**

Total Net Position	<u><u>\$ -</u></u>
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See accompanying notes to the basic financial statements.

**GROVEPORT MADISON CRUISER ACADEMY  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating Revenues:</b>	
Foundation	\$ 1,023,627
Other	<u>370</u>
Total Operating Revenues	<u>1,023,997</u>
 <b>Operating Expenses:</b>	
Purchased Services	896,237
Materials and Supplies	61,581
Depreciation	6,416
Other	<u>8,586</u>
Total Operating Expenses	<u>972,820</u>
Operating Income	<u>51,177</u>
 <b>Non-Operating Revenues and Expenses:</b>	
State and Federal Grant Revenue	66,984
Other Restricted Grants in Aide	37,853
Other Unrestricted Grants in Aide	<u>39,178</u>
Total Non-Operating Revenues and Expenses	<u>144,015</u>
Special Item	<u>(948,969)</u>
Change in Net Position	(753,777)
Net Position, Beginning of Fiscal Year	<u>753,777</u>
Net Position, End of Fiscal Year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

**GROVEPORT MADISON CRUISER ACADEMY  
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Cash Received from Foundation	\$ 1,060,860
Cash Received from Other Receipts	370
Cash Payments to Suppliers for Purchased Goods and Services	(1,217,686)
Cash Payments to Other	<u>(8,586)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(165,042)</u></b>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Grants	77,031
Cash Payments for School Closure	<u>(750,000)</u>
<b>Net Cash Used for Noncapital Financing Activities</b>	<b><u>(672,969)</u></b>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	<u>(53,390)</u>
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b><u>(53,390)</u></b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(891,401)</b>
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>1,033,195</u>
Cash and Cash Equivalents at End of Fiscal Year	<b><u>\$ 141,794</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 51,177
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	6,416
Changes in Assets and Liabilities:	
Prepaid Items	12,356
Accounts Payable	(204,759)
Intergovernmental Payable	<u>(30,232)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (165,042)</u></b>

**Schedule of Noncash Transactions:**

During the fiscal year, the Academy disposed of capital assets with a book value of \$62,949.

See accompanying notes to the basic financial statements.

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**Groveport Madison Cruiser Academy  
Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 1 – Description of the Academy and Reporting Entity**

The Groveport Madison Cruiser Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. 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's mission is to provide each student with a unique opportunity to earn their diploma in an alternative setting. The Academy is an at-risk Academy that primarily enrolls students between sixteen and twenty-one years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions.

The Academy was formally created on March 11, 2010, by entering a three-year contract with the Groveport Madison Local School District (the Sponsor) for fiscal years 2011 through 2013. The contract was subsequently extended through fiscal year 2017. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. See Note 7 for additional information regarding the sponsorship agreement with the Sponsor. The Sponsor's Board of Education voted to non-renew the contract and close the Academy at the end of the contract which expired June 30, 2017.

The Academy purchased the services of Metropolitan Educational Technology Association Solutions (META) to provide fiscal, student, EMIS, and technical services during the fiscal year. See Note 8 for information regarding the contract between the Academy and META.

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The majority of those appointed by the Sponsor shall be elected or appointed public officials or public employees, or shall be community leaders who have demonstrated a professional interest in education or in other issues involving children.

The Academy is a component unit of the Sponsor. The Sponsor appoints a majority of the Board of Directors and is able to impose its will on the Academy. The Sponsor can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Academy's failure to meet generally accepted standards of fiscal management, 3) the Academy's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) other good cause.

The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Academy and the children it serves.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements 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 most significant accounting policies are described below.

**Groveport Madison Cruiser Academy  
Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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. These statements are prepared on the accrual basis of accounting as further described in Note 2 C.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes 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 and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period 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 the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five-year forecast, which is updated on an annual basis.

**E. Cash**

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets at fiscal year-end.

**Groveport Madison Cruiser Academy  
Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year which services are consumed. At fiscal year-end, prepaid items are not available to finance future net position expenses.

**H. Inventory**

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The Academy had no inventory at fiscal year-end.

**I. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost 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 reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings and Improvements	15 years
Furniture, Fixtures, and Equipment	5-10 years

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The Academy has no employees.

**K. Accrued Liabilities and Long-Term Obligations**

All accrued liabilities and long-term debt is reported on the statement of net position. The Academy had no long-term obligations at the end of the fiscal year.

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy did not have any deferred inflows of resources at fiscal year-end.

**Groveport Madison Cruiser Academy**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**M. Net Position**

Net position represents the difference between assets and liabilities. The net position component “investment in capital assets,” consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their 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 had no restricted net position at fiscal year-end.

The Academy’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

**N. 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 goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**O. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**P. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. 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 remaining grants and entitlements received by the Academy 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 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.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Academy or the Sponsor and that are either unusual in nature or infrequent in occurrence. For fiscal year 2017, the Academy is reporting a special item representing costs directly related to the closing of the Academy. See Note 12.

**Groveport Madison Cruiser Academy  
Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**Note 3 – Deposits**

**A. Deposits**

At fiscal year-end, the carrying amount of the Academy's deposits was \$141,794 and the bank balance was \$261,072. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining balance was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

**Note 4 – Capital Assets**

A summary of capital asset activity for the fiscal year follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Closure Deletions</u>	<u>Ending Balance</u>
Cost				
Buildings and Improvements	\$ 18,254	\$ -	\$ (18,254)	\$ -
Furniture, Fixtures, and Equipment	<u>11,458</u>	<u>53,390</u>	<u>(64,848)</u>	<u>-</u>
Total Capital Assets, Cost	29,712	53,390	(83,102)	-
Less Accumulated Depreciation				
Buildings and Improvements	(6,693)	(1,217)	7,910	-
Furniture, Fixtures, and Equipment	<u>(7,044)</u>	<u>(5,199)</u>	<u>12,243</u>	<u>-</u>
Total Accumulated Depreciation	(13,737)	(6,416)	20,153	-
Depreciable Capital Assets, Net	<u>\$ 15,975</u>	<u>\$ 46,974</u>	<u>\$ (62,949)</u>	<u>\$ -</u>

**Note 5 – Risk Management**

**Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Academy's insurance coverage was provided by The Netherlands Insurance Company, administered by Andrew Insurance Associates, Inc. The Academy had general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate. Business Personal Property was also insured at \$500,000 with a \$1,000 deductible.

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

**Groveport Madison Cruiser Academy  
Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 6 – Operating Lease**

The Academy entered into a Property Lease Agreement for space to be used as a school building, office space and other permitted uses. Monthly lease payments made by the Academy during the fiscal year were \$10,938. During the fiscal year, Property Lease Agreement payments totaled \$98,438.

**Note 7 – Fiscal Agent and Payment to Sponsor**

The Community School Sponsorship Contract between the Academy and the Groveport Madison Local School District requires the Academy to pay the following amounts:

- The Academy will reimburse Sponsor for actual payroll expenses incurred for compensating and providing benefits to employees.
- The Academy may purchase certain special education and related services from the Sponsor.
- The Academy may also pay the Sponsor other amounts as are mutually agreed for any services provided to the Academy by the Sponsor.

During the fiscal year, the Academy paid the Sponsor \$935,121 for the services defined above.

**Note 8 – Contract with the Metropolitan Educational Technology Association (META) Solutions**

On June 9, 2014, the Academy entered into a three-year contract with the Metropolitan Education Council (MEC) for fiscal years 2015 through 2017. On April 1, 2015, MEC merged with the Tri-Rivers Educational Computer Association (TRECA) to form the Metropolitan Educational Technology Association (META) Solutions. Under the contract, the Academy agreed to the following terms:

- META shall provide the Academy with fiscal, student, EMIS, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of META under the agreement shall be employees of META and META shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All personnel shall possess any certification or licensure which may be required by law.
- The technical services provided by META to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

During the fiscal year, the Academy paid META \$6,953 for these services. Financial information may be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

**Groveport Madison Cruiser Academy**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 9 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy.

**B. Litigation**

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

**C. Foundation Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017 and determined the Academy was overpaid by \$72,873. The Academy appealed their fiscal year 2017 FTE review results, but ODE has denied their appeal. This amount is reported as intergovernmental payable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

**Note 10 – Purchased Services**

A breakdown of purchased services expenses for the fiscal year is as follows:

Instruction	\$ 748,467
Copier	9,390
Building Lease	110,289
Utilities	14,711
Other Purchased Services	<u>13,380</u>
Total	<u>\$ 896,237</u>

**Groveport Madison Cruiser Academy**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 11 – Change In Accounting Principles**

For fiscal year 2017, the Academy has implemented the following:

*GASB Statement No. 77 “Tax Abatement Disclosures”* improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”* amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 79 “Certain External Investment Pools and Pool Participants”* 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 this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* amended the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73”* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the Academy.



**Groveport Madison Cruiser Academy**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Note 12 – Special Item – Closure of Groveport Madison Cruiser Academy**

On May 9, 2017, the Sponsor's Board of Education approved the closure and discontinuation of the contract between the Sponsor and Groveport Madison Cruiser Academy effective at the end of the current contract period which ended June 30, 2017. This closure was deemed necessary due to the new laws and regulations that have imposed increasingly burdensome and costly new requirements and constraints on the community schools and their sponsors, as a result of which the ability of the Board and the Academy to continue working together was at risk. The new changes in law and ODE's interpretation of law threatened the financial stability of the Academy. Both parties have determined that it is in the best interest of the students and potential students served by the Academy and of the greater educational community served by the parties, for the Academy to close permanently at June 30, 2017.

The Academy is reporting a special item representing cost directly related to the closure. This amount includes the remaining cash that will be transferred to Groveport Madison Local School District after the collection of all receivables and the payment of all liabilities according to ODE closing procedures. This amount is included in intergovernmental payable on the statement of net position. In addition, capital assets no longer being used were either disposed of or transferred to Groveport Madison Local School District. A summary of principal items included as a special item on the statement of revenues, expenses, and changes in net position follows:

	Amount
Remaining cash paid/payable to Groveport Madison Local School District	\$ 886,020
Capital Assets:	
Transferred to Groveport Madison Local School District	51,590
Disposals	11,359
Total Special Item	\$ 948,969

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

Groveport Madison Cruiser Academy  
Franklin County  
4400 Marketing Place, Suite B  
Groveport, Ohio 43125

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Groveport Madison Cruiser Academy, Franklin County, a component unit of the Groveport Madison Local School District (the Academy) as of and for the fiscal year ended June 30, 2017, 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 26, 2017 wherein we noted the Academy ceased operations as disclosed in Note 12.

***Internal Control Over Financial Reporting***

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

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

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

Groveport Madison Cruiser Academy  
Franklin County  
Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliancy and Other Matters Required  
By *Government Auditing Standards*

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 26, 2017

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# Dave Yost • Auditor of State

GROVEPORT MADISON CRUISER ACADEMY

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  
FEBRUARY 6, 2018