



Dave Yost • Auditor of State

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Construction Academy
Franklin County
1725 Jetway Blvd.
Columbus, Ohio 43219

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 Ohio Construction Academy, Franklin County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the District is experiencing certain financial difficulties in the Operating Fund and has a fund balance deficiency of \$178,407. Management's plans in regard to this matter are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 15, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 15, 2015

Ohio Construction Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Management's Discussion and Analysis

The discussion and analysis of Ohio Construction Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total net position was \$(178,407) in fiscal year 2014.
- Total assets were \$5,846 in fiscal year 2014.
- The operating revenue for fiscal year 2014 was \$214,623.
- The non-operating revenue for fiscal year 2014 was \$38,892.

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 are 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.

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.

These statements report 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 building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Ohio Construction Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The Academy as a Whole

As stated previously, the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for 2014.

Table 1
Net Position

	Governmental Activities <u>2014</u>
Assets:	
Current and Other Assets	<u>\$5,846</u>
Total Assets	<u>5,846</u>
Liabilities:	
Other Liabilities	134,253
Long-Term Liabilities	<u>50,000</u>
Total Liabilities	<u>184,253</u>
Net Position:	
Unrestricted	<u>(178,407)</u>
Total Net Position	<u><u>(\$178,407)</u></u>

The Academy was established in 2014.

Total net position of the Academy was \$(178,407).

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014.

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Ohio Construction Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2
Changes in Net Position

	Change in Net Position <u>2014</u>
Operating Revenues:	
State Foundation	\$188,663
Other Revenues	<u>25,960</u>
Total Operating Revenues	<u>214,623</u>
Operating Expenses:	
Salaries	2,817
Fringe Benefits	21,502
Purchased Services	330,228
Materials and Supplies	20,555
Other Expenses	<u>6,556</u>
Total Operating Expenses	<u>381,658</u>
Operating Income (Loss)	<u>(167,035)</u>
Non-Operating Revenues (Expenses):	
State and Federal Grants	<u>38,892</u>
Total Non-Operating Revenues (Expenses)	<u>38,892</u>
Change in Net Position	(128,143)
Net Position - Beginning of Year	<u>(50,264)</u>
Net Position - End of Year	<u><u>(\$178,407)</u></u>

The Academy was established in 2014.

Capital Assets

At June 30, 2014, the Academy did not have any capital assets.

Debt

At June 30, 2014, the Academy had \$50,000 outstanding loan payable to ABC Company. See Note 10 for additional information on the Academy's long term debt obligations.

**Ohio Construction Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Contacting the Academy

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. If you have any questions about this report or need additional financial information, contact Alleyn Unversaw, Fiscal Officer, at Ohio Construction Academy, 1879 Deerfield Road, Lebanon, Ohio 45036.

Ohio Construction Academy
Statement of Net Position
June 30, 2014

Assets:

Current Assets:

Cash and Investments \$882

Receivables:

Intergovernmental 4,964

Total Current Assets 5,846

Liabilities:

Current Liabilities:

Accounts Payable 134,016

Accrued Wages and Benefits 237

Total Current Liabilities 134,253

Long-Term Liabilities:

Loans Payable 50,000

Total Liabilities 184,253

Net Position:

Unrestricted (178,407)

Total Net Position (\$178,407)

See accompanying notes to the basic financial statements.

Ohio Construction Academy
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues:	
Foundation Payments	\$188,663
Other Operating Revenues	<u>25,960</u>
Total Operating Revenues	<u>214,623</u>
Operating Expenses:	
Salaries	2,817
Fringe Benefits	21,502
Purchased Services	330,228
Materials and Supplies	20,555
Other	<u>6,556</u>
Total Operating Expenses	<u>381,658</u>
Operating Income (Loss)	<u>(167,035)</u>
Non-Operating Revenues (Expenses):	
State and Federal Grants	<u>38,892</u>
Total Non-Operating Revenues (Expenses)	<u>38,892</u>
Change in Net Position	(128,143)
Net Position - Beginning of Year	<u>(50,264)</u>
Net Position - End of Year	<u><u>(\$178,407)</u></u>

See accompanying notes to the basic financial statements.

Ohio Construction Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$183,699
Other Operating Cash Receipts	25,960
Cash Payments to Employees for Salaries and Benefits	(24,082)
Cash Payments for Goods and Services	(218,408)
Cash Payments for Other Expenses	<u>(5,179)</u>
Net Cash Provided (Used) by Operating Activities	<u>(38,010)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	<u>38,892</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>38,892</u>
Net Increase (Decrease) in Cash and Investments	882
Cash and Investments - Beginning of Year	<u>0</u>
Cash and Investments - End of Year	<u><u>\$882</u></u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(\$167,035)
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(4,964)
Increase (Decrease) in Accrued Liabilities	237
Increase (Decrease) in Payables	<u>133,752</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$38,010)</u></u>

See accompanying notes to the basic financial statements.

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Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the Academy

The Ohio Construction Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in ninth through the twelfth grade. 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 mission of the Academy is to provide high school students an innovative educational opportunity that explores construction related careers through an excellent foundation in core academic instruction and rigorous hands-on construction related training. Our curriculum prepares graduates for direct entry into a professional apprenticeship program, college, and a career.

The Academy operates under the direction of a self-appointed, five-member Board of Directors. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers.

The Academy is staffed by 3 employees who provide services to 21 students.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Academy’s accounting policies are described below.

Basis of Presentation

The Academy’s basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

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 provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Non-exchange 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 years 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.

Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's Administrator compare income and expense to actual figures on a regular basis and also prescribes that the board will review and compare expenses and income from reports prepared by the Academy's treasurer on a monthly basis. Under Ohio Revised Code Section 5705.391, the Academy must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction.

Capital Assets and Depreciation

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over four to ten years for furniture and equipment. At fiscal year end, the Academy does not own any capital assets.

Net Position

Net Position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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. Net position is reported as restricted when

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenues

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 – Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end June 30, 2014, the carrying amount of the Academy's deposits totaled \$882 and the bank balance was \$936. Of the bank balance, \$936 was covered by the Federal Deposit Insurance Corporation and \$0 of the Academy's bank balance was exposed to custodial risk because it was uninsured.

The Academy has no deposit policy for custodial risk.

Investments

The Academy had no investments in 2014.

Note 4 - Capital Assets

The Academy had no capital assets in 2014.

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Risk Management

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2014, the Academy contracted with Agronaut Insurance Company for property, inland marine, crime, general liability, educators' legal liability, employers practices liability, automobile coverage and excess liability insurance.

Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$1,000 deductible):	
Contents	\$25,000
Commercial Crime (\$1,000 deductible)	50,000
Commercial General Liability (No deductible):	
General Aggregate Limit	2,000,000
Each Occurrence Limit	1,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$5,000 deductible):	
Annual Aggregate	1,000,000
Each Wrongful Act	1,000,000
Automobile Liability (No deductible)	1,000,000
Commercial Excess Liability (\$10,000 deductible)	5,000,000

Settled claims did not exceed commercial coverage in the past two fiscal years and there has not been a significant reduction in coverage from the prior fiscal year.

Note 6 - Purchased Services

In accordance with the sponsorship contract between the Sponsor and the Academy and in accordance with Ohio Revised Code Section 3314.03, the Academy will pay a sponsorship fee to the Sponsor of an amount not to exceed three percent of the total State Foundation Program payments during the fiscal year for oversight and monitoring. The Academy paid \$2,397 to the Sponsor during fiscal year 2014 for these services.

The Academy also paid the Sponsor fiscal fee of \$3,995 and EMIS fee of \$799.

For the fiscal year ended June 30, 2014, purchased service expenses were comprised of the following:

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

<u>Purchased Services</u>	<u>Amounts</u>
Professional and Technical Services	\$271,056
Property Services	832
Travel and Meeting	100
Communications	26,881
Utilities Services	7,407
Contracted Craft and Trade Services	7,966
Pupil Transportation Services	<u>15,986</u>
Total Purchased Services	<u>\$330,228</u>

Note 7 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension and death benefits to SERS for the fiscal year ended June 30, 2014 were \$4,088; 95.49 percent has been contributed for fiscal year 2014.

State Teachers Retirement System of Ohio

Plan Description

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E.

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to 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. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

For members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member’s defined contribution account and the remaining amount is applied to member contributions allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the year ended June 30, 2014 were \$31,211, 72% has been contributed for fiscal year 2014.

Note 8 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.74%. The Academy's contribution for Medicare Part B for the fiscal year ended June 30, 2014 was \$237; 100 percent has been contributed for fiscal year 2014.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contribution for health care for the fiscal year ended June 30, 2014 was \$44; 100 percent has been contributed for fiscal years 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy's contribution for health care for the fiscal year ended June 30, 2014 was \$434; 72% has been contributed for fiscal year 2014.

Note 9 – Operating Leases

The Central Ohio Chapter, Associated Builders and Contractors, Inc. (ABC Company) provided space for the Academy at no cost during fiscal year 2014.

Note 10 – Loan Payable

Prior to receiving funding from the Ohio Department of Education (ODE), the Academy obtained a loan from ABC Company in the amount of \$50,000 in May, 2013 to cover general operating expenses. The loan agreement specified the principal balance, with interest rate of 3% per annum, shall be due and payable on or before March 31, 2015.

Note 11 - Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

Litigation

The Academy is involved in no material litigation as either plaintiff or defendant.

Ohio Construction Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 - Enrollment FTE

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The results of the review could result in state funding being adjusted. The review for the fiscal year ended June 30, 2014 resulted in an underpayment of \$4,964.

Note 12 - Federal Tax-Exempt Status

The Academy is a nonprofit corporation that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Note 13 – Management Plan to Alleviate Deficit Net Position

For fiscal year 2014, the Academy had an operating loss of (\$167,035), and a net position of (\$178,407). In an effort to improve the stability, both financially and academically, the Academy has contracted with Summit Academy Management to be the management company for the school. Per the agreement, Summit Academy Management will begin paying all expenses on behalf of the Academy, in turn invoicing the Academy for these expenses, as well as a fee for all services rendered to the Academy. The invoiced amounts will not exceed the amount of revenue that is received by the Academy, instead Summit Academy Management will utilize its cash reserves to ensure that the Academy payables are satisfied as they become due, if necessary.

The management company is currently working to build the brand for the school, while also building awareness in the Columbus area. Currently, the goal is to increase student enrollment to 30 students, by December 1, 2015 and to 60 students by September 2, 2016. In order to meet these goals, there are strategies to network with regional social services agencies, as well as increase website and social media contacts by 10% by February 1, 2016.

A relocation of the schools is also an additional consideration. Locating the school in a more visible setting, also along a local bus route, will allow for more convenient access to the target population of students.

Summit Academy Management is committed to the success of the Academy and will continue to take an active approach to increase enrollment.

The Treasurer monitors the financial activities of the Academy on a daily basis, as well as submits financial reports to the Board for approval at each Board meeting.

Note 14 – Subsequent Event

Beginning July 1, 2015, Summit Academy Management entered into an agreement to become the management company for the Academy. Summit Academy Management repaid the loan back to ABC Company in November, 2015 on the Academy's behalf. See Note 10.



Dave Yost • Auditor of State

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

Ohio Construction Academy
Franklin County
1725 Jetway Blvd.
Columbus, Ohio 43219

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Construction Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 15, 2015, wherein we noted the Academy is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 15, 2015

**OHIO CONSTRUCTION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Financial Statement Presentation – Material Weakness

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

The following errors were identified in the Academy's financial statements at June 30, 2014:

- The Academy's promissory loan and the related expenditures of \$50,000 with Associated Builders and Contractors were not reflected in the financial statements,
- Non-Operating restricted and other grants in aid were understated \$7,280,
- Foundation revenues were overstated \$2,480, and
- STRS and SERS fringe benefit expenditures were understated \$4,800 due to the Academy did not record October and June's foundation settlements.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit adjustments and reclassifications, including the additional time and effort to identify the variances and discrepancies.

The Academy's financial statements and notes, where applicable, accounting records have been adjusted to accurately reflect these adjustments.

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

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

Officials' Response

The promissory loan for Associated Building Contractors was generated and the funds were spent prior to the Warren County Educational Service Center (WCESC) and its Treasurer being involved as the fiscal agent for the school. The WCESC and its Treasurer was not made aware of this loan until the FY2014 audit was nearly completed at the beginning of FY 2016. Moving forward, if the loan is still outstanding in the future, the financial statements will reflect the most current outstanding balance. With regard to the revenue and expense posting corrections, it should also be noted that the cash reconciliations were correct and the actual cash balances were correctly stated each month.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Construction Academy
Franklin County
1725 Jetway Blvd.
Columbus, Ohio 43219

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Ohio Construction Academy, Franklin County (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Academy adopted its anti-harassment policy at its meeting on May 14, 2013 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.ohioauditor.gov

This report is intended solely for the information and use of the Board and the Academy's and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 15, 2015



Dave Yost • Auditor of State

OHIO CONSTRUCTION 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
JANUARY 5, 2016**