

**PATRIOT PREPARATORY ACADEMY  
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 2014**





# Dave Yost • Auditor of State

Board of Directors  
Patriot Preparatory Academy  
4938 Beatrice Drive  
Columbus, Ohio 43227

We have reviewed the *Independent Auditor's Report* of the Patriot Preparatory Academy, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2013 through June 30, 2014. 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 Patriot Preparatory 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

February 25, 2015

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Patriot Preparatory Academy  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO

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## INDEPENDENT AUDITOR'S REPORT

Patriot Preparatory Academy  
Franklin County  
4938 Beatrice Drive  
Columbus, Ohio 43227

To the Board of Directors:

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

We have audited the accompanying financial statements of Patriot Preparatory Academy, Franklin County, Ohio (the Academy), a component unit of Reynoldsburg City School District, 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 Patriot Preparatory Academy, Franklin County, Ohio, 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.

**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*, as 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 30, 2014, 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.



Kennedy Cottrell Richards LLC

December 30, 2014



**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

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

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The management's discussion and analysis of Patriot Preparatory Academy's (the Academy) financial performance provides an overall view of the Academy's 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 notes to the basic financial statements and the basic financial statements to enhance their understanding of the Academy's financial performance.

**Key Financial Highlights of the Academy**

Key 2014 financial highlights for the Academy are as follows:

- The Academy converted the financial statements to generally accepted accounting principles which restated the June 30, 2013 net position by \$34,296.
- The total assets of the Academy were \$3,114,582 as of June 30, 2014.
- The Academy completed the purchase of the land, building and equipment during the fiscal year for \$3,000,000 total acquisition price.
- The Academy's net position decreased by \$35,067 during the fiscal year mainly from recognition of depreciation expense (\$105,627).

**Using this Annual Financial Report and Overview of Financial Statements**

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Academy's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

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

**Financial Analysis**

Table 1 provides a summary of the Academy's net position at fiscal year-end for fiscal years 2014 and 2013 (GAAP basis).

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

	2014	2013 Restated
Assets:		
Current Assets	\$ 468,096	\$ 422,789
Capital Assets	2,646,486	200,000
Total Assets	3,114,582	622,789
Liabilities		
Current Liabilities	588,705	359,305
Long-term Liabilities	2,297,460	-
Total Liabilities	2,886,165	359,305
Net Position:		
Net investment in capital assets	64,833	200,000
Restricted	14,957	14,121
Unrestricted	148,627	49,363
Total Net Position	\$ 228,417	\$ 263,484

As mentioned in the financial highlights, the Academy changed the presentation of the financial statements from a modified cash basis to generally accepted accounting principles. The restatement included reporting the accruals for fiscal year 2013. The restatement was done on a net position basis but not on the operating statement side. For fiscal year 2014, the Academy secured three different financing options to purchase the land, building and related equipment. That transaction accounts for the large increase in both the capital assets and the long-term liabilities.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

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

**Financial Analysis**

Table 2 shows the change in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2**  
**Changes in Net Position**

	<b>GAAP</b> 2014	<b>Modified Cash</b> 2013
<b>Operating Revenues:</b>		
State Foundation	\$ 3,751,777	\$ 3,577,873
Charges for Services	227,113	152,282
Other	123,936	155,372
Total Operating Revenues	4,102,826	3,885,527
<b>Operating Expenses:</b>		
Salaries	2,334,464	2,307,800
Fringe Benefits	716,933	570,186
Purchased Services	731,358	911,663
Materials and Supplies	499,604	396,992
Rent	105,000	625,000
Depreciation	105,627	-
Other	34,810	11,682
Total Operating Expenses	4,527,796	4,823,323
Operating Loss	(424,970)	(937,796)
<b>Nonoperating Revenues (Expenses)</b>		
Federal and State Grants	486,027	462,949
Interest Expenses	(96,124)	-
Total Nonoperating Revenues (Expenses)	389,903	462,949
Change in Net Position	(35,067)	(474,847)
Net Position, Beginning of Year	297,780	772,627
GAAP Restatement	(34,296)	-
Net Position, End of the Year	\$ 228,417	\$ 297,780

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

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

Fiscal year 2013 is presented using the same information that was provided in the audit report. To properly report the revenues and expenses under GAAP, the information for fiscal year 2012 would need to be restated as well. For fiscal year 2014, there is less rental expenses as the Academy purchased the building and no longer paid rent. With the majority of the expenses related to the purchase being capitalized then depreciated, the operating expenses were about five percent less in fiscal year 2014. Revenues increased as the number of students increased year over year.

**Budget Highlights**

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 a bi-annual basis.

**Capital Assets**

At the end of 2014, the Academy had \$2,646,486 (net of \$105,627 in accumulated depreciation) invested in land, buildings and improvements, and furniture and equipment. Table 3 shows the fiscal year 2014 balances compared to fiscal year 2013:

Table 3  
Capital Assets at June 30 (net)

	2014	2013	Change
Land	\$264,600	\$0	\$264,400
Building and Improvements	2,331,486	200,000	2,131,486
Furniture and Equipment	50,400	0	50,400
Totals	\$2,646,486	\$200,000	\$2,446,286

For more information on the Academy's capital assets refer to note 7 of the notes to the financial statements.

**Debt**

At June 30, 2014, the Academy had two different promissory notes due to Liberty Christian Academy (former lessor). The first note was for \$600,000 with a 5.75% interest rate, term of eighty-four months and final maturity of November 1, 2020. The second note was for \$200,000 with a 5.75% interest rate, term of twenty-four months and final maturity of November 1, 2015. The Academy also took out a mortgage through Peoples Bank for purchasing of the facility. The mortgage was for \$2,000,000 with a 5.43% interest rate and final maturity of October 30, 2023. For more information on the Academy's debt refer to Note 13 of the notes to the financial statements.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

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

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**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of the 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 the Treasurer of the Academy, 4938 Beatrice Drive, Columbus, Ohio 43227-2113.

**PATRIOT PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
STATEMENT OF NET POSITION**

**AS OF JUNE 30, 2014**

**Assets:**

Current assets:

Cash and cash equivalents	\$ 442,078
Accounts receivable	11,322
Intergovernmental receivable	14,696
<b>Total current assets</b>	<u>468,096</u>

Capital assets:

Nondepreciable capital assets	264,600
Depreciable capital assets	2,381,886
<b>Total capital assets</b>	<u>2,646,486</u>

**Total Assets** 3,114,582

**Liabilities:**

Current liabilities

Accounts payable	29,007
Accrued wages and benefits payable	213,258
Intergovernmental payable	62,247
Current portion of long term debt	284,193
<b>Total current liabilities</b>	<u>588,705</u>

Long term debt less current portion 2,297,460

**Total Liabilities** 2,886,165

**Net Position:**

Net investment in capital assets	64,833
Restricted	14,957
Unrestricted	148,627

**Total Net Position** \$ 228,417

See accompanying notes to the basic financial statements

**PATRIOT PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Operating revenues:</b>	
Foundation payments	\$ 3,669,190
Special Education	82,587
Classroom fees	41,978
Donations	29,112
Charges for services	227,113
Other operating revenues	<u>52,846</u>
<b>Total operating revenues</b>	<u>4,102,826</u>
<b>Operating expenses:</b>	
Salaries	2,334,464
Fringe benefits	716,933
Purchased services	836,358
Materials and supplies	499,604
Depreciation	105,627
Other operating expenses	<u>34,810</u>
<b>Total operating expenses</b>	<u>4,527,796</u>
Operating loss	<u>(424,970)</u>
<b>Non-Operating revenues and expenses:</b>	
Federal grants	455,737
State grants	30,290
Interest and fiscal charges	<u>(96,124)</u>
<b>Total non-operating revenues and expenses</b>	<u>389,903</u>
<b>Change in net position</b>	(35,067)
Net position at beginning of year - restated	<u>263,484</u>
Net position at end of year	<u><u>\$ 228,417</u></u>

See accompanying notes to the basic financial statements

**PATRIOT PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
STATEMENT OF CASH FLOWS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Increase (decrease) in cash and cash equivalents**

**Cash flows from operating activities:**

Cash received from State of Ohio - Foundation	\$ 3,751,777
Cash received from classroom materials and fees and user fees	266,034
Cash received from other operating revenues	86,689
Cash payments for personal services	(3,060,183)
Cash payments for contract services	(874,460)
Cash payments for supplies and materials	(501,884)
Cash payments for other expenses	(33,306)
Net cash used for operating activities	<u>(365,333)</u>

**Cash flows from noncapital financing activities:**

Cash received from state and federal grants	<u>576,215</u>
Net cash provided by noncapital financing activities	<u>576,215</u>

**Cash flows from capital and related financing activities:**

Acquisition of capital assets	(2,552,113)
Face value from debt obligations	2,800,000
Principal paid on debt obligations	(218,347)
Interest paid on debt obligations	(96,124)
Net cash used by capital and related financing activities	<u>(66,584)</u>

Net change in cash and cash equivalents	144,298
Cash and Cash Equivalents at beginning of year	<u>297,780</u>
Cash and Cash Equivalents at end of year	<u><u>442,078</u></u>

**Reconciliation of operating loss to net cash used for operating activities:**

Operating loss	(424,970)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	105,627
Change in assets and liabilities:	
Decrease in accounts receivable	8,803
Decrease in accounts payable	(36,816)
Decrease in accrued wages and benefits	(14,608)
Decrease in intergovernmental payable	(3,369)

Net cash used for operating activities	<u>\$ (365,333)</u>
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See accompanying notes to the basic financial statements



**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY**

Patriot Preparatory Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The Academy operates on a foundation which fosters character building for all students, parents and staff members. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Reynoldsburg City School District Board of Education (the Sponsor) for a period of five years commencing July 1, 2010 and ending June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy is considered a component unit of the Reynoldsburg City Academy District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

The Academy operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's instructional/support facility staffed by 38 non-certified and 29 certified employees serving 582 students.

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

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus and Basis of Accounting**

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 (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

**D. Cash and Investments**

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$5,000. 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.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	25
Furniture and Equipment	10

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2014 totaled \$4,237,804.

**G. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

The Academy restated the financial statements for fiscal year 2013 by reporting under the full accrual basis of accounting as required by generally accepted accounting principles (GAAP). The presentation includes all applicable assets of the Academy, such as, accounts receivable and capital assets, and all applicable liabilities, such as, accrued wages, accounts payable and long term debt obligations. The following table presents the restated fiscal year 2013 balance:

Net Position, June 30, 2013	\$297,780
Full Accrual Recognition:	
Accounts Receivables	20,125
Intergovernmental Receivables	104,884
Net Capital Assets	200,000
Accounts Payable	(65,823)
Accrued Wages	(227,866)
Intergovernmental Payables	(65,616)
Restated Net Position, June 30, 2013	<u>\$263,484</u>

**NOTE 4 – CASH AND CASH EQUIVALENTS**

At fiscal year end June 30, 2014, the carrying amount of the Academy's deposits was \$442,078, and the bank balance was \$498,488. Of the bank balance, \$219,360 was exposed to custodial credit risk as discussed below, while \$279,128 was covered by Federal Deposit Insurance.

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

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

**NOTE 5 – PURCHASED SERVICES**

For the fiscal year ended June 30, 2014, purchased services expenses were are as follows:

Repairs and Maintenance	\$	83,061
Professional and Technical		280,155
Rent		105,000
Dues and Fees		2,630
Sponsorship		112,439
Utilities		69,489
Fiscal Fees		42,045
Legal Services		48,130
Communications		7,435
Transportation		4,197
Travel/Meeting Expense		4,061
Equipment Rental and Leasing		16,377
Insurance		17,570
Other		43,769
	<u>\$</u>	<u>836,358</u>

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2014, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considers collectable in full.

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014:

	Restated Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital Assets Not Being Depreciated				
Land	\$0	\$264,600	\$0	\$264,600
Capital Assets Being Depreciated				
Building and Improvements	200,000	2,231,513	0	2,431,513
Furniture and Equipment	0	56,000	0	56,000
Total Capital Assets Being Depreciated	<u>200,000</u>	<u>2,287,513</u>	<u>0</u>	<u>2,487,513</u>
Less Accumulated Depreciation				
Building and Improvements	0	(100,027)	0	(100,027)
Furniture and Equipment	0	(5,600)	0	(5,600)
Total Accumulated Depreciation	<u>0</u>	<u>(105,627)</u>	<u>0</u>	<u>(105,627)</u>
Total Capital Assets Being Depreciated, Net	<u>200,000</u>	<u>2,181,886</u>	<u>0</u>	<u>2,381,886</u>
Capital Assets, Net	<u>\$200,000</u>	<u>\$2,446,486</u>	<u>\$0</u>	<u>\$2,646,486</u>

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 8 – OPERATING LEASE**

The Academy entered into a lease contract with Liberty Christian Academy for academy facilities located at 4938 Beatrice Drive, Columbus, OH. The lease term was for the period of June 1, 2011 through June 1, 2026, with required payments of \$30,000 per month, which increased to \$35,000 per month in June 2013. The Academy made lease payments for the facilities totaling \$105,000 during fiscal year 2014. The Academy terminated the lease on October 30, 2013. During fiscal year 2014, the Academy closed on the purchase of the facilities.

**NOTE 9 – SPONSORSHIP AGREEMENT**

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District (the Sponsor), it's Sponsor, whereby, the Sponsor shall receive compensation for services provided to the Academy. The Sponsor shall provide the Academy Treasurer with fiscal oversight and administrative support related to the following:

- A. Support to ensure that the financial records of the Academy are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- B. Compliance with the policies and procedures regarding internal financial control of the Academy.
- C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year, the Academy paid the Sponsor \$112,439 in sponsorship fees.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 10 – RISK MANAGEMENT**

**A. Insurance Coverage**

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2014, the Academy contracted with Cincinnati Insurance Company for the following insurance coverage:

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Umbrella liability:	
Each occurrence	1,000,000
Aggregate	1,000,000
Business auto:	
Each occurrence	1,000,000
Employee benefits liability:	
Each occurrence	1,000,000
Aggregate	1,000,000

There was no significant reduction in coverage from the prior year. Settlement amount have not exceeded coverage amounts in each of the past three years.

**B. Workers' Compensation**

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross payroll by a factor that is calculated by the State.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS’ Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the 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 13.1%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy’s contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$142,711, \$126,601, and \$101,185, respectively, equal to the required contributions for each year.

**B. 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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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

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 the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the 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 31<sup>st</sup> 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.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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

Combined Plan Benefits – Member contributions are 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 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 hospitalization, 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.

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 11% 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 required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013, and 2012 were \$178,089, \$157,552, and \$135,372, respectively, equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2014 were \$17,356 made by the Academy and \$13,637 made by the plan members.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer 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 is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month 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 is .76%. The Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were \$8,279, \$7,152, and \$5,975, respectively, equal to the required contributions for each year.

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 HMOs, PPOs, 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.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)**

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. For the year ended June 30, 2014, the health care allocation is .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. State law provides 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 contributions assigned to health care, including the surcharge, for the years ended June 30, 2014, 2013, and 2012 were \$20,031, \$15,015, and \$11,482, respectively, equal to the required contributions for each year.

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](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System of Ohio**

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

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

**NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy’s contributions for health care for the fiscal year ended June 30, 2014, 2013, and 2012 were \$13,699, \$12,119, and \$10,413, respectively, equal to the required contributions for each year.

**NOTE 13 – DEBT**

The Academy has mortgage payable from Peoples Bank. The Academy also entered into two promissory notes payable with Liberty Christian Academy. All three obligations are secured by the Academy’s building and other assets. The principal paid towards the obligations were \$218,347 during fiscal year 2014.

Long-term debt outstanding for the Academy as of June 30, 2014 was as follows:

<b>Description</b>	<b>Balance 06/30/13</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/14</b>	<b>Due Within One Year</b>
(a) Mortgage	\$0	\$2,000,000	\$102,028	\$1,897,972	\$160,063
(b) \$600,000 Note	0	600,000	41,319	558,681	74,130
(c) \$200,000 Note	0	200,000	75,000	125,000	50,000
Total	<u>\$0</u>	<u>\$2,800,000</u>	<u>\$218,347</u>	<u>\$2,581,653</u>	<u>\$284,193</u>

- (a) The mortgage from People Bank was executed on October 30, 2013, in the amount of \$2,000,000. The mortgage has a maturity date of October 30, 2023. The interest on this obligation is fixed at 5.43 percent. This obligation was the primary security to purchase the Academy’s facility.
- (b) The promissory note from Liberty Christian Academy was effective October 30, 2013 in the amount of \$600,000 to help finance the acquisition of the Academy’s facility. The note matures on November 1, 2020 at an interest rate of 5.75%.
- (c) The promissory note from Liberty Christian Academy was effective October 30, 2013 in the amount of \$200,000 to help finance the acquisition of the Academy’s facility. The note matures on November 1, 2015 at an interest rate of 5.75%.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 13 – DEBT (Continued)**

Principal and interest requirements to retire long term debt, including mortgage and notes outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Mortgage Payable		
	Principal	Interest	Total
2015	\$160,063	\$100,497	\$260,560
2016	168,848	91,711	260,559
2017	178,635	81,925	260,560
2018	188,721	71,839	260,560
2019	199,377	61,183	260,560
2020-2024	1,002,328	130,551	1,132,879
Total	<u>\$1,897,972</u>	<u>\$537,706</u>	<u>\$2,435,678</u>

Fiscal Year Ending June 30,	\$600,000 Note Payable		
	Principal	Interest	Total
2015	\$74,130	\$30,191	\$104,321
2016	78,507	25,814	104,321
2017	83,142	21,179	104,321
2018	88,050	16,270	104,320
2019	93,249	11,072	104,321
2020-2024	141,603	6,185	147,788
Total	<u>\$558,681</u>	<u>\$110,711</u>	<u>\$660,392</u>

Fiscal Year Ending June 30,	\$200,000 Note Payable		
	Principal	Interest	Total
2015	\$50,000	\$6,230	\$56,230
2016	75,000	1,808	76,808
Total	<u>\$125,000</u>	<u>\$8,038</u>	<u>\$133,038</u>

**NOTE 14 – CONTIGENCIES**

**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.

**PATRIOT PREPARATORY ACADEMY**  
**(A Component Unit of Reynoldsburg City Academy District)**  
**Franklin County, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2014

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**NOTE 14 – CONTIGENCIES (Continued)**

**B. Academy Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**NOTE 15 – RELATED PARTY TRANSACTIONS**

The Academy leased its facility from the Liberty Christian Academy whose chairman and superintendent, Ms. LaVonne McIlrath, is the wife of Mr. David McIlrath, superintendent of Patriot Preparatory Academy. The lease of the facility was discontinued on 10/31/13 at which point the Academy purchased the facility and all contents from Liberty Christian Academy. The total acquisition price of the facility was \$3,000,000, of which \$2,800,000 was financed by a mortgage through Peoples Bank and two promissory notes, due to Liberty Christian Academy. During the year the Academy paid \$105,000 in rent to Liberty Christian Academy, and an additional \$140,765 in principal and interest on the promissory notes, as detailed in Note 13 of the notes to the financial statements.

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

Patriot Preparatory Academy  
Franklin County  
4938 Beatrice Drive  
Columbus, Ohio 43227

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 Patriot Preparatory Academy, Franklin County, (the Academy), a component unit of the Reynoldsburg City School District, 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 30, 2014.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

***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*.



***Academy's Response to Findings***

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

***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.



Kennedy Cottrell Richards LLC

December 30, 2014

**PATRIOT PREPARATORY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**2014-001 FINANCIAL REPORTING**

The Academy's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Academy. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements. Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

During our audit, we identified a less than material misstatement in the District's financial statements related to capital assets. We also noted two exceptions related to the financial statement classification of net position and non-operating revenues. We proposed adjusting entries to the Academy and the misstatement and misclassifications were subsequently corrected.

We recommend the Academy devise and implement additional control procedures capable of preventing reporting errors in future fiscal periods.

**Officials Response:**

For fiscal year 2014, the Academy converted the financial statements to the generally accepting accounting principles (GAAP) format from modified cash in fiscal year 2013. Part of that conversion involves an evaluation of the Academy's capital assets. As part of the conversion of the fiscal year 2013 financial statement figures are restated, as if, they were reported on a GAAP basis as well. The Academy went through several source documents attempting to gather all applicable capital assets. When the Academy did the conversion of capital assets, the Academy owned modulars were reported as a fiscal year 2013 asset but were not titled in the Academy's name until the building purchase in fiscal year 2014. The Academy has an accurate listing of capital assets moving forward and should not have this issue again.

The restricted net position was reported using the cash basis figures and did not evaluate applicable accruals to offset those balances. The Academy will evaluate the accruals in future period to ensure the proper restrictions are recorded.

For non-operating revenues, the federal subsidies related to the food service program were recorded as state grants. The Academy has chosen to report federal and state grants separately but in future years the two grants will be reported on a combined basis similar to many other community schools' reporting practices. This will eliminate the improper classification of state and federal grants.

**PATRIOT PREPARATORY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Noncompliance – Basis of Accounting	Yes	
2013-002	Material Weakness – Schedule of Federal Awards Receipts and Expenditures Reporting	Yes	
2013-003	Material Weakness and Noncompliance – Eligibility	Yes	Finding No Longer Valid
2013-004	Material Weakness and Noncompliance/Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Yes	
2013-005	Material Weakness and Noncompliance – Level of Effort	Yes	
2013-006	Significant Deficiency – Cash Management, Period of Availability and Reporting	Yes	

## Independent Auditor's Report on Applying Agreed-Upon Procedures

Patriot Preparatory Academy  
Franklin County  
4938 Beatrice Drive  
Columbus, Ohio 43227

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 Patriot Preparatory Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated January 30, 2014, we noted the Board had not adopted an anti-harassment policy.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have an anti-harassment policy however the policy has not been approved by the Board. The Board should adopt the policy as required by Ohio Rev. Code 3313.666. In addition, we read the policy, noting it lacks the following required by Ohio Rev. Code Section 3313.666.
  1. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;
  2. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  3. A requirement that the academy administration semiannually provide the president of the academy board a written summary of all reported incidents and post the summary on its web site, if the academy has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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.

This report is intended solely for the information and use of the Board and Academy's sponsor 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 "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
December 30, 2014

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# Dave Yost • Auditor of State

**PATRIOT PREPARATORY 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  
MARCH 12, 2015**