



Dave Yost • Auditor of State

THE NEXT FRONTIER ACADEMY
SUMMIT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

The Next Frontier Academy
Summit County
1127 Copley Road
Akron, Ohio 44320

To the Governing Board:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of The Next Frontier Academy, Summit 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*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence regarding debt information provided by management. The minutes of Board meetings included information regarding additional debt issuances not disclosed by management. Additionally, the academy did not have debt agreements and other documentation to evidence the existence of the debt or the Academy's obligation related to the issues. Further, we were unable to obtain sufficient appropriate audit evidence regarding contributions and donations revenue. We were unable to determine whether some of the recorded contributions and donations revenue were actually proceeds of debt due to the lack of clear approval and signed loan agreements. The financial statements do not report the liability for any loans, and the notes did not include a disclosure regarding outstanding liabilities and the changes in the balances. We were not able to gain sufficient appropriate audit evidence regarding the disclosure of the Management Company expenditures. The disclosure required by Ohio Revised Code 33314.024 regarding these expenditures was omitted. Furthermore, the Academy could not provide documentation supporting student enrollment and attendance. The effect on the financial statements for the previously mentioned balances and disclosures is presumed to be material and would have resulted in an additional opinion modification if we had opined on the financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to support an opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of a Matter

As discussed in Note 13 to the basic financial statements, the Academy ceased operations on June 17, 2015 based on a vote from their Governing Board and approval by their sponsor. 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 August 7, 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. While we did not opine on the internal control over financial reporting or on compliance, 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

August 7, 2015

The Next Frontier Academy
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

This discussion and analysis of The Next Frontier Academy (the "Academy") financial performance provides an overall review 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 financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- The Academy commenced on September 19, 2013 and increased its enrollment to twenty-nine students by fiscal year end. The Academy currently instructs grades 7 through 9.
- The Academy received the majority of its revenue from the Ohio Department of Education (ODE) in the form of State foundation dollars. The State dollars are calculated based upon the students enrolled in the Academy.
- Monies outside of ODE were generated through donations and other revenue. The Academy has a management company, Blue Lake Educational Management, LLC (Blue Lake), which pays all obligations on behalf of the Academy. The Academy transfers 95 percent of its revenue to Blue Lake to manage the Academy. The remaining 5 percent is used to pay Board fees and Tri-County Educational Service Center, the Academy's sponsor.
- The Academy is an agricultural based career tech community school, which provides traditional instruction methods with technology-based, hands-on instruction that introduces its students to the over 300 careers available in agriculture worldwide. The students had a chance to experience working on a farm this past summer and received stipends for their services. This gave them exposure to the agricultural environment and allowed them to see some of the career opportunities there are in the agricultural fields.
- The Academy worked to find investors and then put together a team of teachers and a principal to develop the Academy.
- The Academy has reached out to agriculture-related businesses and professionals to help them bring outside knowledge into the Academy.

This annual report consists of two parts, the MD&A and 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. Entity-wide information is not presented separately since the Academy only uses one fund to account for its operations.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially in fiscal year 2014?" These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Next Frontier Academy
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Since it is the first year the Academy has been in operation, comparisons to a prior fiscal year are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 1 provides a summary of the Academy's net position for 2014 as follows:

(Table 1)
Net Position

| | 2014 |
|--------------------------|----------|
| Assets | |
| Current and Other Assets | \$12,934 |
| Liabilities | |
| Accounts Payable | 7,472 |
| Net Position | |
| Unrestricted | \$5,462 |

Table 2 shows the change in net position for fiscal year 2014 as follows:

(Table 2)
Changes in Net Position

| | 2014 |
|-------------------------------------|----------------|
| Operating Revenues | |
| State Foundation | \$271,032 |
| Non-Operating Revenues | |
| Contributions and Donations | 91,615 |
| Grants | 4,221 |
| Other Non-Operating Revenues | 13,089 |
| <i>Total Non-Operating Revenues</i> | <i>108,925</i> |
| <i>Total Revenues</i> | <i>379,957</i> |
| Operating Expenses | |
| Personal Services | 2,800 |
| Purchased Services | 367,432 |
| Other | 4,263 |
| <i>Total Expenses</i> | <i>374,495</i> |
| <i>Increase in Net Position</i> | <i>5,462</i> |
| Net Position Beginning of Year | 0 |
| Net Position End of Year | \$5,462 |

The Next Frontier Academy
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Although the Academy relies heavily upon the State School Foundation Program to support its operations, the Academy actively solicits and receives contributions and donations and additional grant and entitlement funds to help offset its operating costs. Without the large amount of contributions and donations, the Academy would not be able to cover all of its operating expenses.

Academy Outlook

The Academy Board and Treasurer closely monitor the Academy's revenues and expenses in order to evaluate the financial health of the Academy and to seek new growth opportunities in order to meet long-term objectives for our students. The Academy started enrolling students into a Blended Learning program, which was approved by both Tri-County and the Ohio Department of Education, in January 2015, and currently has seventeen students enrolled in the program. The Blended Learning program allows students to have the flexibility to study from home a couple of days a week and in class session three days a week. Blended Learning is offered to students in 9th grade only, but will be offered for 10th through 12th grades as they are added.

The Academy will be partnering with the Ohio Future Farmers of America (FFA) organization to create a one-of-a-kind agriculture-focused school curriculum as all students will become members of the Ohio FFA Association and have the opportunity to participate in various competitions through the organization. Companies with an agricultural background will also be utilized to offer internships to our students for the summer.

Contacting the Academy's Financial Management

This financial report is designed to provide our community with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Annette Harmon, Treasurer at The Next Frontier Academy, 1127 Copley Road, Akron, Ohio 44320. The Treasurer may also be contacted by phone at (330) 835-9755 or by email at hmn_nntt@yahoo.com.

Basic Financial Statements

The Next Frontier Academy
Summit County, Ohio
Statement of Net Position
June 30, 2014

| | |
|--|-----------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$104 |
| Accounts Receivable | <u>12,830</u> |
| <i>Total Assets</i> | 12,934 |
| | |
| Liabilities | |
| Accounts Payable | <u>7,472</u> |
| | |
| Net Position | |
| Unrestricted | <u><u>\$5,462</u></u> |

See accompanying notes to the basic financial statements

The Next Frontier Academy
Summit County, Ohio
Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

| | |
|---------------------------------------|-----------------------|
| Operating Revenues | |
| State Foundation | <u>\$271,032</u> |
| Operating Expenses | |
| Personal Services | \$2,800 |
| Purchased Services | 367,432 |
| Other | <u>4,263</u> |
| <i>Total Operating Expenses</i> | <u>374,495</u> |
| <i>Operating Loss</i> | <u>(103,463)</u> |
| Non-Operating Revenues | |
| Contributions and Donations | 91,615 |
| Grants | 4,221 |
| Other Non-Operating Revenues | <u>13,089</u> |
| <i>Total Non-Operating Revenues</i> | <u>108,925</u> |
| <i>Change in Net Position</i> | 5,462 |
| <i>Net Position Beginning of Year</i> | <u>0</u> |
| <i>Net Position End of Year</i> | <u><u>\$5,462</u></u> |

See accompanying notes to the basic financial statements

The Next Frontier Academy
Summit 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 | \$271,032 |
| Cash Payments for Personal Services | (2,800) |
| Cash Payments for Purchased Services | (359,960) |
| Other Cash Payments | <u>(4,263)</u> |

Net Cash Used in Operating Activities (95,991)

Cash Flows from Non-Operating Activities

| | |
|--|--------------|
| Cash Received from Contributions and Donations | 91,615 |
| Cash Received from Grants | <u>4,480</u> |

Net Cash Provided by Non-Operating Activities 96,095

Net Increase in Cash and Cash Equivalents 104

Cash and Cash Equivalents Beginning of Year 0

Cash and Cash Equivalents End of Year \$104

**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating Loss (\$103,463)

Adjustments:

Increase in Accounts Payable 7,472

Net Cash Used in Operating Activities (\$95,991)

See accompanying notes to the basic financial statements

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The Next Frontier Academy
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the Academy and Reporting Entity

The Next Frontier Academy (the “Academy”) is a community school as provided for by Ohio Revised Code Chapters 1702 and 3314, located within the Akron City School District. The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued in its own name, acquire facilities as needed and contract for services necessary for the operation of the Academy.

The creation of the Academy was initially proposed to the Ohio Department of Education by members of the community on May 15, 2013, as an agriculture and career tech community school that emphasizes the importance of agriculture worldwide. The Ohio Department of Education approved the proposal and entered into a contract with The Next Frontier Academy, which provided for the commencement of Academy operations on September 19, 2013. The Academy was approved for operation under contract with the Ohio State Board of Education for a period of three years commencing July 1, 2013 and expiring on June 30, 2016.

The Academy signed a contract with the Tri-County Educational Service Center (Tri-County) to be its sponsor. The Academy contracts with Blue Lake Educational Management, LLC (Blue Lake) for most of its functions. These organizations are discussed in further detail in Notes 4 and 5.

The Academy operates under a five-member Board of Directors (the “Board”). New members are appointed by the remaining board members within 30 days of the date the position becomes open. If a consensus on the new member is not reached by the remaining board members within 30 days, the Tri-County Educational Service Center will appoint the new member. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards and qualifications of teachers. The Academy provides services to twenty-nine students.

The Academy participates in a jointly governed organization, North Coast Council, which is presented in Note 11 of the basic financial statements.

These financial statements present only the financial activity and balances of The Next Frontier Academy.

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 governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy’s accounting policies are described as follows.

Basis of Presentation

The Academy uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The operations of the Academy are reported as a single enterprise fund.

The Next Frontier Academy
Summit County, Ohio

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

An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. Enterprise fund reporting focuses on the determination of the change in net position, financial positions and cash flows.

Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Academy are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Academy finances and meets its cash flow needs.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. 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. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and contributions and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires an estimated budget and a total estimated per pupil expenditure amount for each year of the contract.

Cash and Cash Equivalents

All cash received by the Academy is maintained in demand deposit accounts. The Academy had no investments during the fiscal year or at fiscal year-end.

Compensated Absences

Employees of the Academy receive no vacation days.

Each employee of the Academy is granted sick days by the administration based on need. The Administrator may bring excessive leave required by an employee to the Board for consideration.

The Next Frontier Academy
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either 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. The Academy did not have any restricted net positions as of June 30, 2014.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the Academy's primary activities. For the Academy, these revenues are State Foundation payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities 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. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the Academy must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the Academy on a reimbursement basis. The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Estimates

The presentation of the 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.

Federal Tax Exempt Status

The Academy was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3) and is exempt from Federal income taxes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

Note 3 – Investments

Unlike other public schools located in the State of Ohio, community schools are not required to follow investment provisions set forth in Ohio Revised Code Chapter 135, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe an investment process for the Academy and the Academy had no investments during the fiscal year or at June 30, 2014.

The Next Frontier Academy

Summit County, Ohio

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

Note 4 – Sponsorship Fees

The Academy contracted with Tri-County to be its sponsor. The contract is for a period of three years, commencing July 1, 2013 and expiring on June 30, 2016. Contract renewal is subject to Ohio Revised Code sections 3314.07, 3314.072, and 3314.073. The fee charged by Tri-County is 3 percent of State Foundation revenues. Total fees for fiscal year 2014 were \$7,472, which is still payable to Tri-County at fiscal year-end.

Note 5 – Management Agreement

On June 22, 2013, the Academy entered into a multi-year Management Agreement (Agreement) with Blue Lake Educational Management, LLC, which is an educational consulting and management company. The Agreement’s term is for five years, running July 1, 2013 through June 30, 2018. The majority of the Academy’s functions have been contracted to Blue Lake. Blue Lake is responsible and accountable to the Board for the administration and day-to-day operations.

As part of the terms of this agreement, a fee (Continuing Fee) will be charged to the Academy based on 95 percent of annual gross revenue received by the Academy. Annual gross revenue is defined as State Foundation, charitable contributions, and other miscellaneous revenue received. Federal Title Programs and other Federal, State, and local government grant funding designated to compensate the Academy for the education of its students shall be paid to Blue Lake as requested under the annual budget within 48 hours of receipt by the Academy through electronic funds transfers. The Continuing Fee must be expended in accordance with the submitted annual budget and be subject to semi-annual reconciliation based upon actual enrollment and actual revenue received. Blue Lake’s compensation will be 20 percent of the 95 percent received from the Academy.

The Academy had purchased service expenses for the fiscal year ended June 30, 2014, to Blue Lake of \$328,910. The Academy also has a receivable from Blue Lake in the amount of \$12,830 for payments the Academy made on behalf of Blue Lake. Blue Lake is responsible for all costs incurred in providing the educational program at the Academy, which include, but are not limited to: compensation of all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, capital improvements required in providing the necessary services, professional services, sponsorship fees, costs and fees relating to any audit conducted pursuant to Chapter 117 of the Revised Code, and insurance premiums.

Note 6 – Purchased Services

For the period of September 19, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors as follows:

| | |
|--------------------|------------------|
| Blue Lake | \$328,910 |
| Tri-County | 7,472 |
| Consulting | 9,750 |
| Treasurer Services | 7,000 |
| Financial Aid | 14,300 |
| Total | <u>\$367,432</u> |

The Next Frontier Academy
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 – Contingencies

Grants

The Academy received financial assistance from 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. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

As of June 30, 2014, the Academy was not party to any legal proceedings.

Note 8 – Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, Blue Lake had the following types of insurance policies that covered the Academy:

| <u>Company</u> | <u>Coverage</u> | <u>Amount</u> |
|---------------------------------|--|---|
| Arch Indemnity | General Aggregate | \$3,000,000 |
| | Products - Comp/Op Aggregate | 3,000,000 |
| | Personal Injury | 1,000,000 |
| | Each Occurrence | 1,000,000 |
| | General Liability: | |
| | Damage to Rented Premises | 500,000 |
| | Medical Expense | 15,000 |
| | Business Personal Property | 100,000 |
| | Crime: | |
| | Employee Theft | 1,000,000 |
| | Forgery or Alteration | 500,000 |
| | Inside Premises | 50,000 |
| | Outside of Premises | 50,000 |
| | Computer Fraud | 100,000 |
| | Money Orders/Counterfeit Papers | 100,000 |
| | Inland Marine - Computer Coverage | 25,000 |
| | Auto Liability - Combined Single Limit | 1,000,000 |
| | Hired Auto Physical Damage | Lesser of Actual Cash Value or Cost of Repair |
| | Educators Protection Plus: | |
| | Professional Aggregate Limit | 2,000,000 |
| Defense Reimbursement | 100,000 | |
| Defense Reimbursement Aggregate | 300,000 | |

(continued)

The Next Frontier Academy
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

| Company | Coverage | Amount |
|--------------------------------------|--|---------------|
| Arch Indemnity | Employee Benefits: | |
| | Each Claim | \$1,000,000 |
| | Annual Aggregate | 3,000,000 |
| | Sexual Abuse or Molestation: | |
| | Each Abusive Conduct Limit | 1,000,000 |
| | Annual Aggregate | 3,000,000 |
| Scottsdale Indemnity | Professional Liability: | |
| | Employment Practice Liability: | |
| | Each Claim | 1,000,000 |
| | Wage and Hour | 250,000 |
| | Immigration Included Third Party | 100,000 |
| | Annual Aggregate | 1,000,000 |
| | Insured Person and Organization: | |
| | Each Claim | 1,000,000 |
| | Annual Aggregate | 1,000,000 |
| | Fiduciary: | |
| | Each Claim | 1,000,000 |
| | Annual Aggregate | 1,000,000 |
| Lexington Insurance | Excess Liability: | |
| | General Liability (Each Event/Aggregate Limit) | 10,000,000 |
| | Auto Liability (Each Event/Aggregate Limit) | 10,000,000 |
| | Employee Benefits Liability (Each Event/Aggregate Limit) | 10,000,000 |
| | Educators Protection Plus (Each Event/Aggregate Limit) | 10,000,000 |
| | Sexual Abuse or Molestation (Each Event/Aggregate Limit) | 10,000,000 |
| | Employment Practice Liability (Each Event/Aggregate Limit) | 10,000,000 |
| | Insured Person and Organization (Each Event/Aggregate Limit) | 10,000,000 |
| | Employer's Liability (Each Event/Aggregate Limit) | 10,000,000 |
| Underwriters at Lloyd's of London | Cyber Liability: | |
| | Privacy Liability | 500,000 |
| | Breach Notification | 500,000 |
| | Media Liability | 500,000 |
| | Regulatory Proceedings | 500,000 |
| | System Damage and Business Interruption | 500,000 |

Settled claims have not exceeded this commercial coverage.

The Next Frontier Academy

Summit County, Ohio

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

Workers' Compensation

Blue Lake, on behalf of the Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll times the contribution rate established by the Ohio Bureau of Workers' Compensation for the Academy.

Employee Benefits

The Academy has contracted with United Health Insurance to provide employee health, dental, and life benefits. The Academy pays 75 percent of the monthly premium for single coverage and 50 percent for additional spouses and children. For fiscal year 2014, the Academy's premiums were \$4,924 for single coverage and \$4,025 for family coverage. An employee may add a spouse as a dependent, but the employee pays the entire additional premium.

Note 9 – Defined Benefit Pension Plans

The Academy has contracted with Blue Lake to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy ultimately responsible for remitting retirement contributions to each of the systems noted as follows:

School Employee Retirement System

Plan Description – Blue Lake, on behalf of the Academy, contributes to the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2014, was \$4,796, with 100 percent having been contributed.

The Next Frontier Academy
Summit County, Ohio

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

State Teachers Retirement System

Plan Description – Blue Lake, on behalf of the Academy, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Academy's required contributions to STRS for the fiscal year ended June 30, 2014, was \$21,296, with 100 percent having been contributed.

The Next Frontier Academy
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 – Postemployment Benefits

School Employee Retirement System

Plan Description – Blue Lake, on behalf of the Academy, contributes to two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the Academy paid no surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal year ended June 30, 2014, was \$51, with 100 percent having been contributed.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2014, was \$278, with 100 percent having been contributed.

State Teachers Retirement System

Plan Description – Blue Lake, on behalf of the Academy, contributes to the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

The Next Frontier Academy

Summit County, Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Academy's contributions for health care for the fiscal year ended June 30, 2014, was \$1,638, with 100 percent having been contributed.

Note 11 – Jointly Governed Organization

The North Coast Council (NCC) is a jointly governed organization among twenty-nine school districts, two educational service centers, and the Academy. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Each of the school districts support NCC based on a per pupil charge. The Board of Directors consists of the nine superintendents representing participating members. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. A copy of NCC's financial statements may be obtained by contacting the Educational Service Center at 5700 West Canal Road, Valley View, Ohio 44125.

Note 12 – Building Lease

Effective September 5, 2013, the Academy entered into a lease agreement with East Ohio Conference of the United Methodist Church for the building and premises which the Academy resides. The Academy is responsible for monthly payments of \$4,750 for the first fiscal year, as well as paying the taxes and casualty insurance on the property. Renewals of the lease are subject to monthly rate increases. Real estate taxes are currently estimated to be \$18,952 per year with casualty insurance premiums estimated to be \$751 per year.

Note 13 – Subsequent Events

On November 15, 2014, the Academy's 501C3 status was revoked due to non-filing of the 990 tax form for three consecutive years.

On June 15, 2015, Blue Lake terminated its contract with the Academy.

On June 17, 2015, due to the Academy being unable to secure a new authorized sponsor, the Board passed a resolution to close the Academy effective immediately in accordance with closing procedures outlined by the Ohio Department of Education.



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*

The Next Frontier Academy
Summit County
1127 Copley Road
Akron, Ohio 44320

To the Governing Board:

We were engaged to audit the financial statements of The Next Frontier Academy, Summit County, (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 August 7, 2015, wherein we noted we did not opine on the Academy's financial statements due to the inability to gain sufficient appropriate evidence regarding loans, contributions and donations, management company expenditures disclosures, or student enrollment and attendance information. Additionally, the financial statements did not report the liabilities for outstanding loans, or the related note disclosures. We also noted the Academy ceased operations on June 17, 2015 based on a vote from their governing board and approval by their sponsor.

Internal Control Over Financial Reporting

As part of our financial statement engagement, 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider findings 2014-002, 2014-003, 2014-005 and 2014-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-007 described in the accompanying schedule of findings to be a significant deficiency.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-004.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 7, 2015

**THE NEXT FRONTIER ACADEMY
SUMMIT COUNTY
SCHEDULE OF FINDINGS
FOR YEAR ENDING JUNE 30, 2014**

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 149.351 establishes guidelines against destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code.

The Academy did not provide all documentation regarding the enrollment and withdrawal of students. As a result, the Full Time Equivalency (FTE) could not be recalculated nor could we determine if withdrawals were timely input into the Ohio Department of Education (ODE's) Education Management Information System (EMIS) system. In addition, the Academy could not provide minutes from the November 7, 2013 meeting. Finally, although the Academy officially commenced on July 1, 2013, meetings were held prior to this date, however, meeting minutes could be located or provided.

Failure to maintain adequate documentation over the Board's meetings and supporting student records could result in a loss of accountability over these activities making it difficult for Academy personnel to identify errors which could go undetected along with potential litigation.

The Academy should develop and maintain a system of control and organization over the minute and student records to help ensure they are sufficiently organized and available for efficient use by Academy management and external parties as appropriate.

Officials' Response: No response received.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Rev. Code §3314.03 requires the contract entered into between a sponsor and the governing authority of a community school to state the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in 105 consecutive hours of the learning opportunities offered to the student and that the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located.

In addition, **Ohio Rev. Code §3301.0714** states schools must enter data concerning the enrollment and attendance of their students into the Ohio Department of Education (ODE's) Education Management Information System (EMIS), which ODE recently rewrote and consolidated with the School Options Enrollment System (SOES). Community school personnel enter data in the EMIS and traditional public school personnel review, verify, or challenge that data in the SOES subsystem.

**FINDING NUMBER 2014-002
(Continued)**

The contract between the Academy and Sponsor did not include the elements listed above. In addition, the Academy's policies over student enrollment do not include the required elements for enrollment, withdrawal and truancy of students. Furthermore, documentation was not presented supporting student enrollment. School funding is based on enrollment and attendance of students. Reporting incorrect enrollment and attendance information could result in incorrect funding. Lack of appropriate documentation resulted in the inability to determine whether the enrollment and attendance information was properly reported. Moreover, the Academy submitted student data to ODE in February, which was beyond the October deadline. Finally, the Academy failed to provide documentation regarding student withdrawals. As a result, it could not be verified if the withdrawal was done in a timely manner.

We recommend the Academy amend its current contract with the Sponsor to include language requiring the establishment of student attendance policies. We further recommend the Academy maintain all supporting documentation for student enrollment, attendance and/or withdrawals and submit the required information before the stated deadline to the Ohio Department of Education.

Officials' Response: No response received.

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

Ohio Rev. Code §3314.024 states a management company providing services to a community school and charging more than twenty percent of the school's annual gross revenues shall provide a detailed accounting, including the nature and costs of the services it provides to the community school. This information shall be included in the footnotes of the financial statements of the school and be subject to audit during the school's regular financial audit. In addition, **Ohio Rev. Code §3314.03(A)(8)** requires community schools to have financial audits by the Auditor of State. The contract between the sponsor and the governing authority shall require financial records of the school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State, and the audits shall be conducted in accordance with **§117.10** of the Revised Code. This includes classifying costs by function and object codes. The detailed expenditures should be included in a footnote along with the differentiation between the direct costs and any overhead costs a management company allocates to a community school.

The Academy hired Blue Lake Educational Management (BLEM) to be the management company. According to the agreement between the two, BLEM will receive 95% of all revenues received by the Academy. In addition, all federal program monies shall be paid to the company within 48 hours of receipt by the governing authority. An independent public accounting firm conducted an audit over the disbursements of BLEM but the firm would not release the audit to BLEM or the Academy due to a failure to remit payment for the audit service. As a result, the report was not provided as required and no assurance could be provided over BLEM expenses.

The Academy and management company should comply with the requirements of Ohio Revised Code Section 3314.024.

Officials' Response: No response received.

FINDING NUMBER 2014-004

Noncompliance

Ohio Rev. Code §3314.03(C) states, in part, the sponsor of a community school may contract with the school to receive 3% or less of the amount the State pays to a school annually, solely for the costs of its oversight and monitoring activities. In addition, **Ohio Rev. Code §3314.03(D)** identifies several responsibilities the sponsor has over the community school including the following:

- Compliance with laws the contract specifies;
- At least annually, monitor and evaluate the academic and fiscal performance and the organization and operation of the community school;
- Report the results of the preceding evaluation to the Ohio Department of Education and to the students' parents;
- Provide technical assistance to the school in complying with applicable laws and terms of the contract;
- Intervene in the school's operation to correct problems in the school's overall performance;
- Declare the school to be on probationary status pursuant to §3314.073 of the Revised Code;
- Suspend the operation of the school pursuant to §3314.072 of the Revised Code;
- Terminate the contract of the school pursuant to §3314.07 of the Revised Code; and
- Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year.

Finally, **Ohio Rev. Code § 3314.023** states that in order to provide monitoring and technical assistance, a representative of the sponsor of a community school shall meet with the governing authority or treasurer of the school and shall review the financial and enrollment records of the school at least once every month.

The Academy contracted with Tri-County Educational Service Center (the "Sponsor"). The Sponsor agreement was signed in October 2013. As a result The Sponsor could not provide documentation the requirements listed above were being met, nor was a representative of the sponsor meeting with the Board or Treasurer prior every month as required prior to January 2014.

Finally, the Academy failed to make a payment to the sponsor and has an outstanding balance of \$7,472.

Failure to perform monitoring duties could result in a loss of sponsor status and could result in the closing of the Academy.

The Sponsor should fulfill their monitoring duties as required by the Ohio Revised Code. Should the sponsor failure to do so, the Academy should consider a different sponsor. In addition, we recommend the Academy remit the required 3% sponsorship fee.

Officials' Response: No response received.

FINDING NUMBER 2014-005

Material Weakness

Management is responsible to design controls to ensure financial transactions are accurately and timely recorded. The Academy did not develop internal controls over contributions and donations receipts which were significant revenue sources.

The Academy Treasurer could not provide documentation supporting the amounts recorded in receipts for contributions and donations and did not indicate whether the contributions and donations monies received were in fact a donation or were loans which need to be repaid, as indicated in Finding 2014-006. In addition, the Academy does not have an internal control system in place where a pre-numbered receipt is issued and provided to the contributor, a duplicate receipt copy kept by the Academy, or information indicating the fund and account code where the monies were posted and if the monies were restricted for a specific purpose. Furthermore, the Board actions did not always indicate whether the monies received were a donation or a loan.

Failure to establish internal controls over receipts could result in a mis-posting of revenues and subsequent adjustments to the financial statements. In addition, failure to issue receipts could result in a misappropriation of funds and inaccurate financial statements.

The Board should indicate in its motion whether the monies are a donation or a loan. For loans, the Board should provide their approval of the amount borrowed and repayment terms accepted. The Academy should also maintain a formal loan agreement on file. For donations, a duplicate receipt should be completed, signed and issued and then be recorded in a receipts journal indicating the type of receipt, date of receipt, name of the payee and proper fund and account code classification.

Officials' Response: No response received.

FINDING NUMBER 2014-006

Material Weakness

Sound financial reporting is the responsibility of the management and is essential to help ensure information provided to the users of the financial statements is complete and accurate. The Academy's financial statements and supporting notes did not include outstanding obligations since the Treasurer indicated the Academy did not have outstanding obligations as of June 30, 2014. In many instances, the Board meetings authorized Blue Lake Educational Management (BLEM) to secure loans for the Academy's continued operations. In addition, the minutes indicated a private citizen obtained a significant amount of loans to make required updates to the building so the Academy could open. This donor also requested that payments to be made to him directly. Several of the loan agreements approved in the minutes were not supported by an agreement, repayment schedule, or other pertinent information. The Board meetings indicated in excess of \$200,000 was borrowed from various sources.

After several discussions with the Treasurer and review of the June reconciliation, she indicated the Academy did have outstanding obligations to various entities and a debt schedule was prepared. A comparison of the client-prepared schedule to amounts identified in the minutes resulted in a significant variance. The financial statements do not include these obligations and we were unable to determine whether the amounts on the subsequently provided schedule were materially accurate.

**FINDING NUMBER 2014-006
(Continued)**

All debt issues should be discussed and approved by the Academy during open Board meetings and include an agreement, amortization schedule, and other supporting documentation. In addition, we recommend the Academy prepare an accurate outstanding obligation schedule and present all debt balances and activity on the face of the financial statements and include disclosures in the notes to the basic financial statements.

Officials' Response: No response received.

FINDING NUMBER 2014-007

Significant Deficiency

According to Ohio Sunshine Laws, when conducting any meeting the public body must comply with its obligations under the Open Meetings Act of opening these work sessions to the public, properly notifying the public, and maintaining meeting minutes.

The minutes were not available for all meetings held by the Academy since there were dates for meetings in which minutes were not taken or not available for review. Further, the Board meeting minutes did not appear to be a complete record of all Board proceedings regarding operations, such as approval of the Board for key operating decisions. These decisions identified the following concerns:

- Employees are not subject to background checks upon being hired nor are teachers required to have certifications;
- Employees do not have a signed contract or salary notification forms;
- Governing Board approved actions on behalf of their management company, Blue Lake Educational Management (BLEM), on several occasions. Motions include authorizing BLEM to obtain loans on behalf of the Academy and for BLEM themselves;
- Governing Board entered in to agreements with BLEM and CDK consultants, both of which employ an individual who was instrumental to the opening of the Academy. In addition, the Governing Board authorized BLEM and CDK Consultants to enter in to an agreement for grant writing services. Furthermore, the Governing Board entered in to a contract with Hairston consulting, who also invested monies in the Academy;
- Funding was based on the Academy enrolling 150 students but actual enrollment was around 30. The Ohio Department of Education later revised the funding for the Academy;
- The Governing Board stated at the August 21, 2013 meeting that a special meeting will be called in the near future without the public being present;
- The President of BLEM was approved as an authorized check signer on the Academy's account;
- Governing Board approved loaning funds to the BLEM, on top of 95% of the revenues already received; and
- The Academy owed over \$30,000 in back rent and taxes.

These items could result in misuse of public funds, possible loss of funding and potential litigation.

**FINDING NUMBER 2014-007
(Continued)**

Rather than reflect only the operational details of the Academy, the Board minutes also included records of operations for Blue Lake Educational Management (BLEM), including debt incurred, donations received, contracts entered and other proceedings for the operations of the management company.

As the Governing board speaks through its minutes, the Academy should ensure procedures are implemented to ensure the minutes provide a complete and accurate reflection of the actions taken only by the Board.

Officials' Response: No response received.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

The Next Frontier Academy
Summit County
1127 Copley Road
Akron, OH 44320

To the Governing Board:

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 Next Frontier Academy, (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.

We noted the Academy did not amend its anti-harassment policy to include the following requirements in the Ohio Rev. Code 3313.666:

- Violence within a dating relationship within its definition of harassment, intimidation or bullying.
- A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- 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;
- A Procedure for documenting any prohibited incident that is reported;
- A Procedure for responding to and investigating any reported incident;
- A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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.



Dave Yost
Auditor of State

August 7, 2015



Dave Yost • Auditor of State

THE NEXT FRONTIER ACADEMY

SUMMIT 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
OCTOBER 6, 2015**