INTERNATIONAL ACADEMY OF OHIO DBA INTERNATIONAL ACADEMY OF COLUMBUS FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

Charles E. Harris & Associates
certified public accountants & government consultants

Dave Yost • Auditor of State

Board of Directors
International Academy of Columbus
2439 Fuji Dr
Columbus, OH 43229

We have reviewed the *Independent Auditor's Report* of the International Academy of Columbus, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 International Academy of Columbus is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 15, 2016

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INTERNATIONAL ACADEMY OF OHIO
DBA INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2015

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

International Academy of Ohio
DBA International Academy of Columbus
Franklin County
2439 Fuji Drive
Columbus, Ohio 43229

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the International Academy of Ohio DBA International Academy of Columbus, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2015, 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 the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Academy of Ohio DBA International Academy of Columbus, Franklin County, Ohio as of June 30, 2015 and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. We did not modify our opinion regarding these matters.

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* and schedules of net pension liabilities and pension contributions 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 January 25, 2016 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.

Charles E. Harris & Associates, Inc.
January 25, 2016

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The discussion and analysis of the International Academy of Ohio, D/B/A International Academy of Columbus' (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position was a deficit of $2,121,362 at June 30, 2015.

- The Academy had operating revenues of $1,575,371, operating expenses of $2,049,059 and non-operating revenues of $607,601 for fiscal year 2015. Total change in net position for the fiscal year was an increase of $133,913.

Using these Basic Financial Statements

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

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2015?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 10 and 11 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 12 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-30 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's net pension liability. The required supplementary information can be found on pages 31-37 of this report.

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INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table below provides a summary of the Academy's net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.

Net Position

	Governmental Activities 2015	Restated Governmental Activities 2014
Assets		
Current and other assets	$ 569,045	$ 514,544
Noncurrent assets:		
Security deposit	10,500	10,500
Capital assets, net	14,546	15,051
Total assets	594,091	540,095
Deferred outflows of resources		
Pension	170,181	143,889
Liabilities		
Current liabilities	184,728	232,771
Long-term liabilities:		
Net pension liability	2,293,540	2,719,971
Total liabilities	2,478,268	2,952,742
Deferred inflows of resources		
Pension	407,366	-
Total deferred inflows of resources	407,366	-
Net Position		
Net Investment in capital assets	14,546	16,096
Restricted	40,543	28,063
Unrestricted (deficit)	(2,176,451)	(2,299,434)
Total net position (deficit) (restated)	$ (2,121,362)	$ (2,255,275)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $320,807 to a deficit balance of $2,255,275.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Academy's net position was a deficit of $2,121,362.

At fiscal year-end, capital assets represented 2.45% of total assets. Capital assets include two modular classroom buildings, leasehold improvements and furniture and equipment. Investment in capital assets at June 30, 2015, was $14,546. These capital assets are used to provide services to the students and are not available for future spending. A portion of the Academy's net position, $40,543, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $2,176,451 which is the result of GASB Statement No. 68, as described in Note 9.

The table below shows the changes in net position for fiscal years 2015 and 2014.

Change in Net Position

	2015	2014
Operating Revenues:		
State foundation	$ 1,558,731	$ 1,705,653
Other	16,640	16,934
Total operating revenue	1,575,371	1,722,587
Operating Expenses:		
Salaries and wages	1,111,678	1,092,457
Fringe benefits	281,801	297,611
Purchased services	573,376	631,322
Materials and supplies	47,271	76,088
Depreciation	4,450	4,999
Other	30,483	20,948
Total operating expenses	2,049,059	2,123,425
Non-operating Revenues:		
Grants	607,412	575,932
Interest revenue	189	240
Total non-operating revenues	607,601	576,172
Change in net position	133,913	175,334
Net position at beginning of year	(2,255,275)	N/A
Net position at end of year	$ (2,121,362)	$ (2,255,275)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $143,889 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $103,577.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

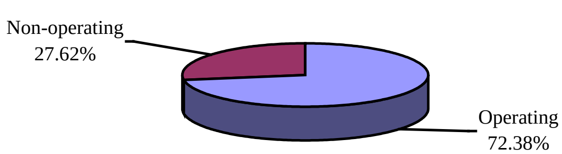
Total 2015 program expenses under GASB 68	$ 2,049,059
Pension expense under GASB 68	(103,577)
2015 contractually required contributions	148,934
Adjusted 2015 program expenses	2,094,416
Total 2014 program expenses under GASB 27	2,123,425
Increase (decrease) in program expenses not related to pension	$ (29,009)

Operating revenues decreased $147,216, or 8.55%, primarily due to an decrease in State foundation revenue as a result of decreased student enrollment for fiscal year 2015. This increase in operating revenue was accompanied by an increase in federal and State grant funding of $31,480, 5.46%.

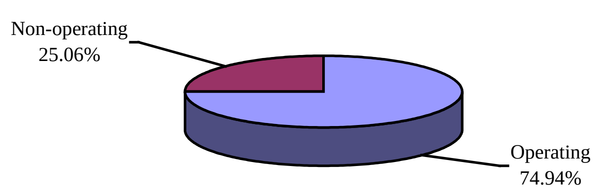
Operating expenses decreased $74,366, or 3.50%, in fiscal year 2015 versus 2014. The primary decrease was in the area of purchased services which collectively decreased $57,946, or 9.18%. This decrease is primarily attributed to the decrease in professional and technical services during fiscal year 2015.

The charts below illustrate the revenues and expenses for the Academy during fiscal years 2015 and 2014.

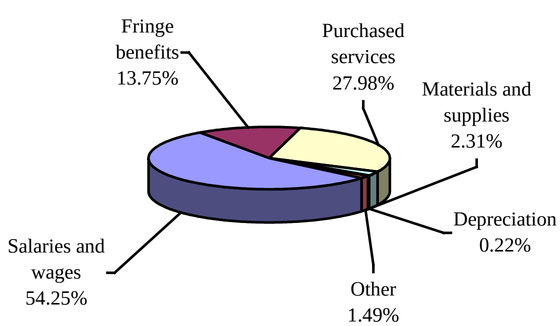
2015 Revenues



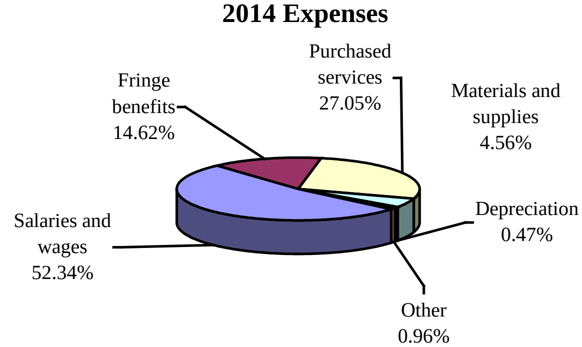
2014 Revenues



2015 Expenses



2014 Expenses



Total revenues for fiscal years 2015 and 2014 were $2,182,972 and $2,298,759, respectively. State Foundation revenues decreased $146,922 in fiscal year 2015. Non-operating grant revenue increased in fiscal year 2015 by $31,480, due to an increase in grants.

Total operating expenses for fiscal years 2015 and 2014 were $2,049,059 and $2,123,425, respectively. Salaries and wages and fringe benefits decreased $19,221 in fiscal year 2015 and increased $32,270, in fiscal year 2014.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Academy had $14,546 in capital assets, net of depreciation, consisting of two modular classroom buildings, leasehold improvements and furniture and equipment.

The following table shows fiscal year 2015 balances compared to fiscal year 2014:

Capital Assets at June 30
(Net of Depreciation)

	2015	2014
Modular classroom building	$ 65,054	$ 65,054
Leasehold improvements	322,866	322,866
Furniture and equipment	118,753	114,808
Accumulated depreciation	(492,127)	(487,677)
Total	$ 14,546	$ 15,051

The overall decrease in capital assets is $505, which is due primarily to an acquisition of $3,945 worth of equipment being less than depreciation expense of $4,450.

See Note 6 to the basic financial statements for additional information on the Academy's capital assets.

Budgeting Highlights

Community schools in Ohio are exempt from appropriations law, but are required to submit a financial forecast.

Current Financial Related Activities

Management and the Board intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net assets. The Academy must continue to look for ways to increase its efficiency and effectiveness. As described in the previous pages, the Academy has limited means to increase its revenue relative to traditional school districts. Community schools cannot seek additional funds through the passage of tax levies and are limited to the per pupil revenue provided through State foundation. As such, the Academy must constantly monitor budgets and develop revenue models to accurately anticipate changes in funding and timing of cash.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Barbara E. Henry, Treasurer, 1201 Schrock Court, Columbus, Ohio 43229.

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:	
Current assets:	
Cash	$ 457,864
Receivables:	
Accounts	393
Intergovernmental	77,755
Prepayments	33,033
Total current assets	569,045
Non-current assets:	
Security deposit	10,500
Depreciable capital assets, net	14,546
Total non-current assets	25,046
Total assets	594,091
Deferred outflows of resources:	
Pension - STRS	108,332
Pension - SERS	61,849
Total deferred outflows of resources	170,181
Liabilities:	
Current liabilities:	
Accounts payable	5,638
Accrued wages and benefits	151,229
Pension and postemployment benefits	22,544
Intergovernmental payable	5,317
Total current liabilities	184,728
Non-current liabilities:	
Net pension liability	2,293,540
Total non-current liabilities	2,293,540
Total liabilities	2,478,268
Deferred inflows of resources:	
Pension - STRS	286,192
Pension - SERS	121,174
Total deferred inflows of resources	407,366
Net position:	
Investment in capital assets	14,546
Restricted for:	
Restricted for locally funded programs	1,462
Restricted for federal programs	24,754
Restricted for other purposes	14,327
Unrestricted (deficit)	(2,176,451)
Total net position (deficit)	$ (2,121,362)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating revenues:	
State foundation	$ 1,558,731
Other	16,640
Total operating revenues	1,575,371
Operating expenses:	
Salaries and wages.	1,111,678
Fringe benefits.	281,801
Purchased services.	573,376
Materials and supplies	47,271
Other.	30,483
Depreciation	4,450
Total operating expenses.	2,049,059
Operating loss	(473,688)
Non-operating revenues:	
Grants and subsidies.	607,412
Interest revenue	189
Total nonoperating revenues	607,601
Change in net position	133,913
Net position (deficit) at beginning of year (restated)	(2,255,275)
Net position (deficit) at end of year.	$ (2,121,362)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Cash received from State foundation	$ 1,542,444
Cash received from other operations	22,046
Cash payments for salaries and wages	(1,115,425)
Cash payments for fringe benefits	(287,633)
Cash payments for contractual services	(627,439)
Cash payments for materials and supplies	(67,307)
Cash payments for other expenses	(30,483)
Net cash used in operating activities	(563,797)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	694,699
Net cash provided by noncapital financing activities	694,699
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,945)
Net cash used in capital and related financing activities	(3,945)
Cash flows from investing activities:	
Interest received	189
Net cash provided by investing activities	189
Net increase in cash	127,146
Cash at beginning of year	330,718
Cash at end of year	$ 457,864
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (473,688)
Adjustments:	
Depreciation	4,450
Changes in assets and liabilities:	
(Increase) in accounts receivable	(269)
(Increase) in intergovernmental receivable	(10,612)
(Increase) in prepayments	(3,761)
(Increase) in deferred outflows - pensions	(26,292)
(Decrease) in accounts payable	(24,397)
(Decrease) in accrued wages and benefits	(3,693)
(Decrease) in intergovernmental payable	(5,070)
(Decrease) in pension and postemployment benefits payable	(1,400)
(Decrease) in net pension liability	(426,431)
Increase in deferred inflows - pensions	407,366
Net cash used in operating activities	$ (563,797)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY

The International Academy of Ohio, D/B/A International Academy of Columbus (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to maintain and provide a school exclusively for educational, literary, scientific, and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Specifically the Academy's purpose is to be a model charter school serving children from kindergarten through grade eight. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The creation of the Academy was initially proposed to the Ohio Department of Education (the "Sponsor") by the developers of the Academy in July, 2000. The Sponsor approved the proposal and entered into a contract with the developers, which provided for the commencement of the Academy's operations on May 31, 2002. Also, on May 31, 2002, the Ohio Department of Education assigned the sponsor contract to the Lucas County Educational Service Center (LCESC). On September 1, 2005, the LCESC assigned the sponsor contract to the Buckeye Community Hope Foundation. Buckeye Community Hope Foundation is the current sponsor of the Academy.

The Academy is located in Columbus, Ohio, Franklin County. The Academy operates under a self-appointed five-member Board of Directors, which is comprised of a variety of community leaders. 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, admissions standards, and qualifications of teachers. The Board of Trustees controls the Academy's one instructional facility staffed by 16 full time non-certified personnel, 14 certified full-time teaching personnel and 1 administrator who provide services to approximately 205 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition were reported as non-operating.

B. Measurement Focus and Basis of Accounting

Enterprise activity is accounted for using a flow of economic resources 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 revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy finances its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources have been reported for the following two items related the Academy’s net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy’s contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the Academy’s net pension liability.

E. Cash and Cash Equivalents

Cash and investments held by the Academy are reflected as “cash and cash equivalents” on the statement of net position. All monies received by the Academy were deposited in demand deposit accounts.

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

F. Capital Assets and Depreciation

All capital assets were capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets were recorded at their fair market values on the date donated. The Academy maintained a capitalization threshold of $1,000. The Academy did not have any infrastructure. Leasehold Improvements were capitalized. The costs of normal maintenance and repairs that did not add to the value of the asset or materially extend an asset's life were not capitalized. Interest incurred during the construction of capital assets is also capitalized. The Academy did not have any capitalized interest during the year.

All capital assets were depreciated. Leasehold Improvements were depreciated over the remaining useful lives of the related capital assets from three to four years. Depreciation was computed using the straight-line method. Furniture and equipment was depreciated over three to ten years. Modular classroom buildings are depreciated over ten years.

G. Net Position

Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

H. Prepaid Items

A prepaid item is an asset that occurs when a vendor is paid for services that will benefit a future accounting period. When items meet these criteria, they are reported as assets on the statement of net position using the consumption method. Under the consumption method, a current asset for the prepaid amount is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had $33,033 in prepaid assets at June 30, 2015.

I. Intergovernmental Revenue

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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

J. Security Deposit

At June 30, 2015, the Academy had a deposit of $10,500 with American Municipal Power, Inc., as security for the faithful performance of all lease covenants and conditions of the property leased. The deposit is recorded on the accompanying statement of net position as a non-current asset.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Academy's pension plan disclosures, as presented in Note 9, and added required supplementary information which is presented after the notes to the financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	$ 320,807
Deferred outflows - payments subsequent to measurement date	143,889
Net pension liability	(2,719,971)
Restated net position at July 1, 2014	$ (2,255,275)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. At June 30, 2015, the carrying amount of the Academy's deposits was $457,864. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, $234,796 of the Academy's bank balance of $484,796 was exposed to custodial risk as discussed below, while $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no deposit policy for custodial risk beyond the requirements of the State statute. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015 consisted of intergovernmental (e.g. State and Federal grants and reimbursements) receivables and accounts receivable. All intergovernmental receivables are considered collectible in full. Below is a summary of receivables due to the Academy:

Accounts:	
AT&T refund	$ 393
Intergovernmental:	
School Employees Retirement Systems of Ohio	9,618
Ohio Department of Education	1,683
State Teachers Retirement Systems of Ohio	8,322
IDEA part B	6,829
School improvement stimulus A	27,308
Limited english proficiency	5,620
Title I - disadvantage children	18,285
Improving teacher quality	90
Total Intergovernmental	77,755
Total	$ 78,148

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Modular classroom buildings	$ 65,054	$ -	$ -	$ 65,054
Leasehold improvements	322,866	-	-	322,866
Furniture and equipment	114,808	3,945	-	118,753
Less: accumulated depreciation	(487,677)	(4,450)	-	(492,127)
Capital assets, net	$ 15,051	$ (505)	$ -	$ 14,546

NOTE 7 - OPERATING LEASES

The Academy leases a building under a cancelable operating lease.

The building lease ended June 30, 2014, and is renewable annually through June 30, 2017, with incremental annual increases all original terms and conditions apply to renewal options. At the expiration or earlier termination of the tenancy, the Academy shall surrender the leased premises, including, without limitation, all alterations, additions, improvements, decorations, and repairs made thereto, in good condition and repair. The Academy is responsible for all charges incurred for utilities (i.e. heat, water, gas, sewer, electricity) and maintenance. The Academy made lease payments in the amount of $211,974 for fiscal year 2015. The Academy has paid a security deposit of $10,500 to execute the lease.

NOTE 7 - OPERATING LEASES - (Continued)

Fiscal Year Ending June 30	Amount
2016	$ 224,880
2017	232,728
Total minimum lease payments	$ 457,608

NOTE 8 - PURCHASED SERVICES

For fiscal year ended June 30, 2015, purchased services expenses were as follows:

Professional services	$ 98,920
Rent and property services	261,601
Travel mileage/meeting expense	5,212
Advertising, communications and travel	10,609
Utilities	44,015
Contract services	151,407
Other purchased services	1,612
Total	$ 573,376

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable*.

Plan Description - School Employees Retirement System (SERS)

Plan Description –Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $55,495 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $93,439 for fiscal year 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 746,590	$ 1,546,950	$ 2,293,540
Proportion of the net pension liability	0.01475200%	0.00635991%	
Pension expense	$ 43,570	$ 60,007	$ 103,577

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 6,354	$ 14,893	$ 21,247
Academy contributions subsequent to the measurement date	55,495	93,439	148,934
Total deferred outflows of resources	$ 61,849	$ 108,332	$ 170,181
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 121,174	$ 286,192	$ 407,366
Total deferred inflows of resources	$ 121,174	$ 286,192	$ 407,366

$148,934 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$ (28,705)	$ (67,825)	$ (96,530)
2017	(28,705)	(67,825)	(96,530)
2018	(28,705)	(67,825)	(96,530)
2019	(28,705)	(67,824)	(96,529)
Total	$ (114,820)	$ (271,299)	$ (386,119)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$ 1,065,163	$ 746,590	$ 478,644

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$ 2,214,628	$ 1,546,950	$ 982,320

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Academy's surcharge obligation was $1,503.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $5,708, $6,192, and $6,276, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $6,603, and $6,657 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from the Academy policy and State laws. All employees are at-will employees and do not have contracts as employees in traditional school districts. Full time administrative staff members are entitled to accrue 10 vacation days per year. Vacation time for the custodian is determined annually by the Management team. Vacation time for the Academy Director is determined annually by the Board. Salaried employees accrue sick time of 10 days per school year (0.833 per month) and are awarded 3 personal days and 1 professional day at the beginning of each school year. Hourly rate employees do not accrue leave and are paid based upon hours worked only. Personal and professional days do not carry over to the following school year.

NOTE 12 - RISK MANAGEMENT

A. 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. The Academy maintains insurance coverage with Wells Fargo Insurance Company for general liability, buildings and contents, and school leaders' errors and omissions. The general liability coverage is in the amount of $2,000,000 aggregate. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

B. Employee Medical, Dental, and Vision Benefits

The Academy has contracted with a private carrier to provide employee health insurance benefits. The employee has the option of using the Academy's insurance provider or using an outside provider. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

C. 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 total payroll by a factor that is calculated by the State.

NOTE 13 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. State Foundation Funding

Community School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Academy, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

C. Litigation

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

NOTE 13 – CONTINGENCIES – (Continued)

C. Litigation

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

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
Academy's proportion of the net pension liability	0.01475200%	0.01475200%
Academy's proportionate share of the net pension liability	$ 746,590	$ 877,254
Academy's covered-employee payroll	$ 428,672	$ 428,880
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.16%	204.55%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	**2013**
Academy's proportion of the net pension liability	0.00635991%	0.00635991%
Academy's proportionate share of the net pension liability	$ 1,546,950	$ 1,842,717
Academy's covered-employee payroll	$ 649,808	$ 660,300
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	279.07%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2015	**2014**	**2013**	**2012**	**2011**
Contractually required contribution	$ 55,495	$ 59,414	$ 59,357	$ 52,731	$ 46,283
Contributions in relation to the contractually required contribution	(55,495)	(59,414)	(59,357)	(52,731)	(46,283)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Academy's covered-employee payroll	$ 421,055	$ 428,672	$ 428,880	$ 392,052	$ 368,202
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

2010		2009		2008		2007		2006	
$	51,370	$	33,149	$	32,676	$	34,952	$	41,541
	(51,370)		(33,149)		(32,676)		(34,952)		(41,541)
$	-	$	-	$	-	$	-	$	-
$	379,394	$	336,880	$	332,749	$	327,266	$	392,637
	13.54%		9.84%		9.82%		10.68%		10.58%

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011
Contractually required contribution	$ 93,439	$ 84,475	$ 85,839	$ 86,535	$ 75,955
Contributions in relation to the contractually required contribution	(93,439)	(84,475)	(85,839)	(86,535)	(75,955)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Academy's covered-employee payroll	$ 667,421	$ 649,808	$ 660,300	$ 665,654	$ 584,269
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

2010		2009		2008		2007		2006	
$	70,096	$	66,411	$	67,407	$	75,573	$	73,045
	(70,096)		(66,411)		(67,407)		(75,573)		(73,045)
$	-	$	-	$	-	$	-	$	-
$	539,200	$	510,854	$	518,515	$	581,331	$	561,885
	13.00%		13.00%		13.00%		13.00%		13.00%

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

International Academy of Ohio
DBA International Academy of Columbus
Franklin County
2439 Fuji Drive
Columbus, Ohio 43229

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards,* the financial statements of the International Academy of Ohio DBA International Academy of Columbus, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 25, 2016. We noted the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Controls 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, have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates, Inc.
January 25, 2016

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ended June 30, 2014, reported no material citations or recommendations.

Dave Yost • Auditor of State

INTERNATIONAL ACADEMY OF COLUMBUS

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
APRIL 28, 2016